

HARLEY-DAVIDSON EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

HARLEY-DAVIDSON EUROPE LIMITED

COMPANY INFORMATION

Directors A Benka (resigned 22 July 2021)
P Sweeney
K Rebstock (appointed 20 July 2021)

Registered number 02358344

Registered office Oxford Business Park
6000 Garsington Road
Oxford
Oxfordshire
OX4 2DQ
United Kingdom

Independent auditor Ernst & Young LLP
Statutory auditor
Apex Plaza
Forbury Road

Reading
RG1 1YE

Bankers JPMorgan Chase Bank N.A.
25 Bank Street
London
E14 5JP

Solicitors Covington & Burling LLP
265 Strand
London
WC2R 1BH

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 7
Directors' responsibilities statement	8
Independent auditor's report	9 - 12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Notes to the financial statements	16 - 29

HARLEY-DAVIDSON EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activity

The principal activity of the Company continues to be the importation, distribution and marketing of motorcycles, together with the associated parts, accessories and other products under the Harley-Davidson brand and other marks registered by the parent undertaking. For the full year, the area of operation included the UK and Republic of Ireland, most major European markets and parts of the Middle East and Africa.

Review of the business and future developments

Harley-Davidson Europe Limited continues to operate directly in the UK and Ireland, and through six Limited Risk Distributors appointed to cover markets of France, Germany and Austria, Italy, Benelux, Switzerland and Spain. These Limited Risk Distributors are sister companies of Harley-Davidson Europe Limited, with the ultimate parent undertaking being Harley-Davidson Inc.

Except for the above markets, sales to other markets in Europe, the Middle East and Africa are arranged through a network of independent distributors and dealers which are supported from the UK head office.

The directors consider the results to be satisfactory, recognising the continuing impact of the global pandemic and its impact upon retail behaviour of discretionary spend on premium products. The directors continue to be committed to profitable and targeted growth within our markets in Europe, the Middle East and Africa, through the development of the dealer network and investment in other sales and marketing activities. Limited targeted restructuring activities took place during the year, in line with global strategy, to best position the Company for success.

The Company's key performance indicators during the year were as follows:-

	2020	2019	Change	
€'000	€'000		%	
Turnover	482,478	609,289	-21	
Gross Profit	65,759	77,523	-15	
Profit before tax	14,663	34,750	-58	

The year-on-year decrease in turnover is primarily driven by a 9,772 (23%) reduction in motorcycle wholesale units owing to conditions during the global pandemic combined with strategic actions in line with the company's global strategy. Parts and accessories were also adversely impacted further reducing year-on-year turnover.

Profit before tax is impacted by the reduced turnover and gross profit combined with investment in media activity associated with new product launches, restructuring costs and adverse foreign exchange differences.

HARLEY-DAVIDSON EUROPE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

European Union tariffs

The European Union has enacted tariffs on various U.S.-manufactured products, including Harley-Davidson motorcycles. These tariffs, which became effective June 22, 2018, were imposed in response to the tariffs the U.S. imposed on steel and aluminium exported from the EU to the U.S.

Consequently, EU tariffs on Harley-Davidson motorcycles exported from the U.S. increased from 6% to 31%. These tariffs resulted in an incremental cost of approximately €1,900 (\$2,200) per average motorcycle exported from the U.S. to the EU in 2019.

Harley-Davidson believes the tremendous cost increase, if passed onto its dealers and retail customers, would have an immediate and lasting detrimental impact to its business in the region, reducing customer access to Harley-Davidson products and negatively impacting the sustainability of its dealers' businesses. Therefore, Harley-Davidson has so far not raised its manufacturer's suggested retail prices or wholesale prices to its dealers to cover the costs of the retaliatory tariffs.

During 2021, the regulatory approval that allowed Harley-Davidson to supply its EU markets with Touring, Softail® and Sportster® motorcycles produced at its Thailand operations at tariff rates of 6% was overturned and these motorcycles are now subjected to the 31% tariffs that apply to motorcycles sourced from the Company's U.S. facilities.

On October 30, 2021, the United States and the European Union announced an agreement related to the Section 232 tariffs on steel and aluminum that the U.S. implemented in 2018 and the subsequent rebalancing tariff measures that the EU took. This agreement will remove the additional tariffs that the EU imposed on motorcycles Harley-Davidson, Inc. imported into the EU, reducing the total tariff rate from 31% to 6% effective January 1, 2022. The EU tariff rate will remain at 31% through the end of 2021. The lower 6% tariff rate will apply to all motorcycles that the Company imports into the EU, regardless of origin.

Principal risks and uncertainties

The Company's directors monitor risks and uncertainties facing the Company. The main risks are considered to be :

COVID 19 risk

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, 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.

Competitive risk

The heavyweight motorcycle market is highly competitive. Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, consumer preference and warranties. The company emphasises quality, reliability and styling in its products and offers a two year warranty for its motorcycles. The company sells its products at wholesale and must rely on a network of independent dealers and distributors to manage the retail distribution of its products.

Credit risk

The Company's financial operations are exposed to credit risk on its trade debtors. Credit risk is the risk of loss arising from a failure by a customer to meet the terms of any contract with the Company. Credit losses are influenced by general business and economic conditions, as well as contract terms, customer credit profiles and the new and used motorcycle market. Policies are aimed at minimising such losses through credit monitoring procedures.

Exchange risk

The Company is exposed to movements in the Sterling/Euro and USD/Euro exchange rates given that many of the administrative and payroll costs and UK dealer revenues are denominated in Sterling.

Political risk

The United Kingdom left the European Union in January 2020 and the transition period came to an end on the 31 December 2020. As the company's products are manufactured outside of the European Union (EU), this has not changed the Company's trading conditions as the products were already subject to customs duties. Further the company's distribution centre is located in Belgium and

movements of goods into the EU will

HARLEY-DAVIDSON EUROPE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

continue to be imported through Belgium and goods for the UK market will be imported directly into the UK.

Tariffs and other developments with respect to trade policies, trade agreements, and government regulations could have a material adverse impact on the Company's business.

This report was approved by the board and signed on its behalf.

P Sweeney
Director

Date: 10 December 2021

HARLEY-DAVIDSON EUROPE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to €12,319,000 (2019 - €27,795,000).

There was a dividend of €70,999 paid in 2020 (2019: €NIL).

Directors

The Directors who served during the year were:

A Benka (resigned 22 July 2021)

P Sweeney

Going concern

The Company's business activities, together with the factors likely to affect its future development and principal risks and uncertainties are described in the Strategic report.

The Company is dependent upon its ultimate parent company, Harley-Davidson Inc., for both product supply and cash resources. In view of this, the Directors have confirmed that Harley-Davidson Inc. guarantees to make funds available to the Company to enable it to meet its liabilities as they fall due for a period at least until 31st December 2022.

After considering these factors, including the financial and operational ability of the ultimate parent company to continue as a going concern, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that could cast significant doubt about the ability of the company to continue as a going concern have been identified. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Payment to suppliers

The Company views that disclosure of average creditor days is not meaningful, since 75% of purchases are made from intercompany suppliers.

The Company agrees terms and conditions for its business transactions with third party suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

HARLEY-DAVIDSON EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Engagement with suppliers, customers and others

Section 172(1) statement

The Company directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider would be most likely to promote the success of the Company for the benefit of its members as a whole. They consider the impact that any material decision will have on all relevant stakeholders to ensure that it is making a decision that promotes the long-term success of the Company. The directors are members of the Company's EMEA Leadership Team which meets weekly and is collectively responsible for ensuring that the Company's operations are aligned to our internal values and to focus on the short and long term strategically important decisions and activities of the Company. This includes how the Company will act fairly and engage with all key stakeholders.

Stakeholder's Engagement

The directors have considered which parties should be deemed to be stakeholders of the Company. The key stakeholders are our dealers, riders, employees, community and service providers. The section below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are considered.

Dealers

Working with our dealers is a crucial part of our stakeholder engagement across EMEA. We conduct regular meetings with our Dealer Advisory Council (DAC) where we share ideas and listen to feedback. Meetings are chaired by the Vice President and Managing Director of EMEA and selected meetings are attended by board members from Harley-Davidson Inc., including the CEO. Members' views and feedback from the meeting are taken and shared via detailed minutes.

Riders

Supporting and nurturing our existing and new riding communities is vital to the ongoing engagement of our riders. This work focuses on the entertainment of this riding community from the country level up to international events such as the 'European rally' which occurs each year in a different European location and is open to all members of the general public. We also host the open rider event 'European Bike Week', in the Corinthian region of Austria which can attract over 70,000 motorcycles per year.

The feedback of our existing and prospective riders is important to us and collected through a variety of methods including through the dealer network, customer experience surveys and events detailed above. The COVID-19 pandemic brought a new and unprecedented challenge to us activating across our entire experiential platform. We developed new ways to connect with riders during this time and look forward to celebrating the freedom of riding and community in the third quarter of 2021 at our European rally.

Employees

We are committed to building an inclusive, engaging work environment. Our goal is to encourage, value and leverage differences in people and perspectives to maximise business outcomes. Diversity and inclusion is a business imperative that aligns with our mission and values.

We also remain committed to the wellbeing and protection of our employees, even more so during these unprecedented circumstances arising as a result of the current COVID-19 pandemic.

The Company and directors use a diverse range of methods for communicating with employees to provide them with relevant information and to obtain their views that can be taken into account when making decisions which are likely to affect their interests. Such methods include informal meetings, email communications, surveys, management team meetings and regular Company "town halls." These help to ensure that employees are kept fully informed about developments in the Company which directly affect employees, including the Company's financial and operating performance.

Community

We are committed to giving back to our community and are engaged with multiple charities within the local area. We provide financial support to Trax, Maggie's, Helen and Douglas House and Macmillan Cancer Support, all local organisations that our employees have

been impacted by or have nominated as charities they would like to support.

HARLEY-DAVIDSON EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Service providers

We ensure that the impact on our service suppliers is fully considered and understood before any business decision is made. Our key suppliers are important to enable us to deliver a high-quality service to our customers. Maintaining a close and constructive working relationship with our key suppliers is crucial and we aim to treat our suppliers fairly, including paying them within agreed timelines.

Streamlined Energy and Carbon Reporting Framework

Annual UK energy use (in kWh)	Natural Gas Consumption : 499,307 kWh Electricity Consumption: 428,335 kWh Transport Consumption: 43,946 kWh	Scope 1 GHG emissions: 91.8 tCO ₂ e Scope 2 GHG emissions: 99.9 tCO ₂ e Scope 1 GHG emissions: 11.2tCO ₂ e
Emissions intensity ratio	1.73 tCO ₂ e per employee	[Scope 1+2 tCO ₂ e divided by 117, the average number of HDE employees for CY2020]
Methodologies used	Actual consumption data per invoices	Scope 1 & 2 GHG emissions calculated using applicable emissions factors from the UK Government GHG Conversion Factors for Company Reporting for 2020 (June 2021), specifically the CO ₂ e emissions factors for natural gas and for UK electricity

In 2020 the Company continued to take measures to reduce energy consumption. Canteen facilities and associated appliances have been removed, the printer fleet reduced and more energy efficient lighting solutions have been adopted. The company has transitioned to a virtual first approach to working and as a result employees now have the flexibility to work remotely which has resulted in a maximum of no more than 50% of workforce on site at any time, therefore reducing energy usage

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In April 2021, the Company received notification from the Economic Ministry of Belgium that, following a request from the European Union, the Company would be subject to the revocation of the Binding Origin Information (BOI) rulings, effective April 19, 2021. Following the revocation, non-electric motorcycles Harley-Davidson imports into the European Union, regardless of origin, will be subject to a total tariff rate of 31% from April 19, 2021 to December 31, 2021.

Since the end of the fiscal year, no further events have occurred that are of material importance and could have a significant impact on the results of operations, financial position and net assets of the Company.

HARLEY-DAVIDSON EUROPE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

P Sweeney

Director

Date: 10 December 2021

HARLEY-DAVIDSON EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The company is committed to ensuring our operations and supply chains are free from involuntary labour and human trafficking. The commitment applies to all Harley-Davidson Europe Limited employees, officers and directors as well as all individuals and entities doing business with and for Harley-Davidson Europe Limited.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLEY-DAVIDSON EUROPE LIMITED

Opinion

We have audited the financial statements of Harley-Davidson Europe Limited for the year ended 31 December 2020 which comprise Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31st December 2022 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLEY-DAVIDSON EUROPE LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLEY-DAVIDSON EUROPE LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those related to the reporting framework (FRS102 and the Company's Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety and GDPR.
- We understood how Harley-Davidson Europe Limited is complying with those frameworks by making inquiries of senior finance personnel, those charged with governance and internal counsel, and gaining an understanding of the entity level controls of the company in respect of those areas and the controls in place to reduce the opportunities for fraudulent transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations and to respond to the assessed risks. Our procedures involved verifying material transactions are recorded in compliance with FRS102 and where appropriate the Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiries with management, those charged with governance and with internal counsel. We also read the board minutes and the company's correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override and a fraud risk around revenue recognition and in particular revenue recognition around the year end date. We selected a sample of revenue transactions around the year end date and performed detailed testing, including agreeing to source documentation to validate that the revenue had been recognised in the appropriate period. In relation to management override to the posting of non-standard manual journals, including non-standard journals to revenue, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARLEY-DAVIDSON EUROPE LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.

Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Brown (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Apex Plaza
Forbury Road
RG1 1YE

10 December 2021

HARLEY-DAVIDSON EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 €000	2019 €000
Turnover	3	482,478	609,289
Cost of sales		(416,719)	(531,766)
Gross profit		65,759	77,523
Distribution costs		(18,329)	(13,847)
Administrative expenses		(32,427)	(28,856)
Operating profit	4	15,003	34,820
Interest receivable and similar income	7	50	205
Interest payable and similar expenses	8	(388)	(275)
Profit before tax		14,665	34,750
Tax on profit	9	(2,346)	(6,955)
Profit for the financial year		12,319	27,795
Other comprehensive income for the year		-	-
Total comprehensive income for the year		12,319	27,795

The notes on pages 16 to 29 form part of these financial statements.

HARLEY-DAVIDSON EUROPE LIMITED
REGISTERED NUMBER: 02358344

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 €000	2019 €000
Fixed assets			
Tangible assets	11	683	1,080
		<u>683</u>	<u>1,080</u>
Current assets			
Stocks	12	22,933	71,683
Debtors: amounts falling due within one year	13	147,897	153,038
Cash at bank and in hand	14	41,023	34,945
		<u>211,853</u>	<u>259,666</u>
Creditors: amounts falling due within one year	15	(130,244)	(124,412)
Net current assets		<u>81,609</u>	<u>135,254</u>
Long - term assets	13	2,890	-
Total assets less current liabilities		<u>85,182</u>	<u>136,334</u>
Creditors: amounts falling due after more than one year	16	(10,501)	(2,105)
Provisions for liabilities		(5,425)	(6,293)
		<u>(5,425)</u>	<u>(6,293)</u>
Net assets		<u><u>69,256</u></u>	<u><u>127,936</u></u>
Capital and reserves			
Share premium account		31,776	31,776
Profit and loss account		37,480	96,160
		<u><u>69,256</u></u>	<u><u>127,936</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 December 2021.

P Sweeney
Director

The notes on pages 16 to 29 form part of these financial statements.

HARLEY-DAVIDSON EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Capital reserves €000	Retained earnings €000	Total equity €000
At 1 January 2019	31,776	68,365	100,141
Comprehensive income for the year			
Total comprehensive income for the year	-	27,795	27,795
Total comprehensive income for the year	-	27,795	27,795
At 1 January 2020	31,776	96,160	127,936
Comprehensive income for the year			
Total comprehensive income for the year	-	12,319	12,319
Total comprehensive income for the year	-	12,319	12,319
Dividends paid	-	(70,999)	(70,999)
At 31 December 2020	31,776	37,480	69,256

Capital reserves represent a capital contribution by the parent company in 1997 to support the expansion plans of the company.

HARLEY-DAVIDSON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Harley-Davidson Europe Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

Harley-Davidson Europe Limited is a company incorporated in the United Kingdom under the Companies Act.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Euros which is the functional currency of the Company. As explained in the Directors' Report, the directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and principal risks and uncertainties are described in the Strategic report.

The Company is dependent upon its ultimate parent company, Harley-Davidson Inc., for both product supply and cash resources. In view of this, the Directors have confirmed that Harley-Davidson Inc. guarantees to make funds available to the Company to enable it to meet its liabilities as they fall due for a period at least until 31st December 2022.

After considering these factors, including the financial and operational ability of the ultimate parent company to continue as a going concern, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. No material uncertainties that could cast significant doubt about the ability of the company to continue as a going concern have been identified. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Harley-Davidson Inc. as at 31 December 2020 and these financial statements may be obtained from 3700 W Juneau Avenue, PO Box 653, Milwaukee, WI 53201.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life, as follows:

Short leasehold improvements Shorter of 5 years or remaining useful life

Fixtures, fittings and equipment 5 years

Computer equipment and software 3 to 4 years

2.5 Turnover

Turnover comprises the value of sales (excluding VAT and Trade Discounts, relating to retrospective credits accrued or issued in line with performance incentive plans) of goods and services in the normal course of business.

Revenue from the sale of goods is recognised when sufficient risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

2.6 Impairment of non-financial assets

The Company assessed at each reporting date whether an asset may be impaired. If any indication arises the relevant asset is assessed. If the carrying amount is greater than the recoverable amount, the amount is impaired to profit or loss.

2.7 Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Provision is made for obsolete, slow-moving and defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 Current and deferred taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised as other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.9 Warranties for products

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Product warranty costs are provided for, based upon the estimated warranty cost per unit sold. Warranty costs for Limited Risk Distributors are also funded by the Company.

The impact of the time value of money on warranty provisions is not material and therefore the provision is not discounted.

2.10 Foreign currency

Functional and presentation currency

The Company's functional and presentational currency is Euros.

Transactions and balances

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the year end date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit for the financial year.

2.11 Leased assets

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Interest Receivable

Finance income is accounted for on an accruals basis and credited to the Statement of Comprehensive Income when receivable.

2.14 Short term debtors and creditors

Short term debtors and creditors with no stated interest rate are receivable or payable within one year and are recorded at transaction price.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Cash-settled share based payments

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each year end date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the year end date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the year end date. Changes in the carrying amount for the liability are recognised in the Statement of Comprehensive Income for the period.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise bank balances including cash pool assets, cash on hand and deposits held at call with banks, all of which are available on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from these estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Taxation - Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of future tax planning strategies.

Provisions - Management assesses the carrying value of debtors, stock and warranty balances based on past losses, current trading patterns and anticipated future events. Furthermore, management assess the need of providing for ongoing legal disputes on a case by case basis, also incorporating assessments of legal counsel.

3. Turnover

An analysis of turnover by class of business is as follows:

	2020 €000	2019 €000
Motorcycle Sales	376,776	479,678
Parts and accessories	102,244	124,166
Other (including Harley-Davidson European Rally)	3,458	5,445
	<u>482,478</u>	<u>609,289</u>

Analysis of turnover by country of destination:

	2020 €000	2019 €000
United Kingdom	42,675	63,301
Rest of Europe	421,882	513,659
Rest of the world	17,921	32,329
	<u>482,478</u>	<u>609,289</u>

HARLEY-DAVIDSON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Operating profit

The operating profit is stated after charging:

	2020 €000	2019 €000
Depreciation	483	420
Exchange (gain)/loss	2,900	(884)
Land and buildings	419	615
Motor vehicles	64	53
Audit fees	109	106
Warranty expenses	4,646	6,753
Restructuring costs	983	30

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 €000	2019 €000
Wages and salaries	9,947	8,847
Social security costs	915	843
Restricted stock units	505	429
Cost of defined contribution scheme	579	539
	11,946	10,658

The average monthly number of employees, including the directors, during the year was as follows:

	2020 €000	2019 €000
Sales and administration	117	115

HARLEY-DAVIDSON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Directors' remuneration

	2020 €000	2019 €000
Directors' emoluments	716	862
Company contributions to defined contribution pension schemes	35	35
	<u>751</u>	<u>897</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of €517,000 (2019 - €509,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to €14,000 (2019 - €14,000).

7. Interest receivable and similar income

	2020 €000	2019 €000
Other interest receivable	50	205
	<u>50</u>	<u>205</u>

8. Interest payable and similar expenses

	2020 €000	2019 €000
Bank interest payable	174	111
Interest Payable - Intercompany	214	164
	<u>388</u>	<u>275</u>

HARLEY-DAVIDSON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9. Taxation

	2020 €000	2019 €000
Corporation tax		
Current tax on profits for the year	2,886	6,547
Adjustments in respect of previous periods	(461)	333
	<u>2,425</u>	<u>6,880</u>
Total current tax	<u>2,425</u>	<u>6,880</u>
Deferred tax		
Origination and reversal of timing differences	(79)	75
Total deferred tax	<u>(79)</u>	<u>75</u>
Taxation on profit on ordinary activities	<u>2,346</u>	<u>6,955</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 €000	2019 €000
Profit on ordinary activities before tax	<u>14,665</u>	<u>34,750</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,786	6,603
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4	9
Capital allowances for year in excess of depreciation	37	(66)
Adjustments to tax charge in respect of prior periods	(461)	333
Other differences leading to an increase (decrease) in the tax charge	(20)	76
Total tax charge for the year	<u>2,346</u>	<u>6,955</u>

Factors that may affect future tax charges

The Government announced as part of the Finance Bill 2021 that the corporation tax rate increase to 25% from 1st April 2023. For FRS 102 purposes, this was substantively enacted in May 2021 via the third reading of the Bill. As the tax rate change took place after the balance sheet date, there is no impact on the deferred tax balances recognised at 31 December 2020.

HARLEY-DAVIDSON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Dividends

	2020 €000	2019 €000
Dividends	70,999	-
	<u>70,999</u>	<u>-</u>

11. Tangible fixed assets

	Freehold property €000	Motor vehicles €000	Fixtures and fittings €000	Computer equipment €000	Total €000
Cost or valuation					
At 1 January 2020	4,453	27	2,826	1,052	8,358
Additions	-	-	18	68	86
Disposals	-	-	(131)	(163)	(294)
	<u>4,453</u>	<u>27</u>	<u>2,713</u>	<u>957</u>	<u>8,150</u>
At 31 December 2020	4,453	27	2,713	957	8,150
Depreciation					
At 1 January 2020	4,188	26	2,178	886	7,278
Charge for the year on owned assets	119	-	254	110	483
Disposals	-	-	(131)	(163)	(294)
	<u>4,307</u>	<u>26</u>	<u>2,301</u>	<u>833</u>	<u>7,467</u>
At 31 December 2020	4,307	26	2,301	833	7,467
Net book value					
At 31 December 2020	<u>146</u>	<u>1</u>	<u>412</u>	<u>124</u>	<u>683</u>
At 31 December 2019	<u>266</u>	<u>1</u>	<u>648</u>	<u>166</u>	<u>1,081</u>

The net book value of land and buildings may be further analysed as follows:

	2020 €000	2019 €000
Freehold	146	266
	<u>146</u>	<u>266</u>

HARLEY-DAVIDSON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Stocks

	2020 €000	2019 €000
Motorcycles	10,413	56,722
Parts and accessories	12,520	14,961
	<u>22,933</u>	<u>71,683</u>
	2020 €000	2019 €000
Cost of stocks recognised as an expense (included in cost of sales)	353,225	414,538
Including - write down of stocks to net realisable value	<u>4,418</u>	<u>433</u>

13. Debtors

	2020 €000	2019 €000
Due after more than one year		
Other debtors	2,890	-
	<u>2,890</u>	<u>-</u>
	2020 €000	2019 €000
Due within one year		
Trade debtors	16,893	28,594
Amounts owed by group undertakings	128,661	119,818
Other debtors	1,582	845
Prepayments and accrued income	497	3,596
Deferred taxation	264	185
	<u>147,897</u>	<u>153,038</u>

14. Cash and cash equivalents

	2020 €000	2019 €000
Cash at bank and in hand	41,023	34,945
	<u>41,023</u>	<u>34,945</u>

HARLEY-DAVIDSON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Creditors: Amounts falling due within one year

	2020	2019
	€000	€000
Trade creditors	12,100	5,885
Amounts owed to group undertakings	105,680	90,264
Corporation tax	-	949
Other taxation and social security	351	-
Other creditors	1	249
Accruals and deferred income	12,112	27,065
	<u>130,244</u>	<u>124,412</u>

16. Creditors: Amounts falling due after more than one year

	2020	2019
	€000	€000
Other creditors	735	554
Accruals and deferred income	9,766	1,551
	<u>10,501</u>	<u>2,105</u>

Accruals and deferred income include an amount for dilapidation costs to be incurred by the Company at the end of the lease term in 2024, deferred income for life-time subscription memberships that extend beyond 1 year from the reporting date and long-term duty payable. Other creditors include a provision for Restricted Stock Units with vesting dates from 2022 onwards.

As the period in which these fall due is more than 1 year from the reporting date, the items are considered to be non-current and are therefore disclosed as such.

17. Deferred taxation

	2020
	€000
At beginning of year	185
Utilised in year	79
	<u>264</u>
At end of year	264

HARLEY-DAVIDSON EUROPE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 €000	2019 €000
Accelerated capital allowances	98	19
Other short-term timing differences	166	166
	<u>264</u>	<u>185</u>

18. Provisions for liabilities

	Other Provision €000
Balance at 1 January 2020	6,293
Initial Provision: 2020 sales	5,227
Utilised: 2020 sales	(1,418)
Utilised: prior years sales	(4,677)
	<u>5,425</u>

All new motorcycles are sold with a two year manufacturer's warranty as standard. A provision is recognised at the point of sale, reflecting the average expected costs to fulfil the warranty obligations, based on management assessment of past claims and current expectations. Parts, accessories and Motorclothes® products also derive warranty obligations and are accounted for in a corresponding way.

19. Share capital

	2020 €	2019 €
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	<u>136</u>	<u>136</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. Share based payments

The details reported below relate to stock appreciation rights (SARs) and restricted stock units.

Stock appreciation rights and restricted stock units

The Company has a stock compensation plan under which it may grant equity awards including Stock Appreciation Rights (SARs) and Restricted Stock Units (RSUs).

SARs granted under the Plan vest rateably over a three year period with the first 33.33% vesting one year after the date of grant. SARs are settled in cash upon exercise. The cash payment at settlement for each SAR is equal to the difference between the market price of one share of Harley-Davidson Inc. common stock on the date vested and the market price on the date of grant. The company maintains a liability for all unvested SARs. No SARs were granted in 2020.

RSUs issued under the plan vest over three years and are settled in cash upon vesting. The cash payment at settlement for each RSU is equal to the market price of one share of Harley-Davidson Inc. common stock. The Company maintains a liability for all unvested RSUs and dividend equivalents are paid on all unvested RSUs.

The following table includes award activity during 2020 and 2019.

	SARs No. 2020	RSUs No. 2020	SARs No. 2019	RSUs No. 2019
Outstanding at the beginning of the year	0	26,220	6,329	22,702
Granted during the year	0	24,856	0	17,791
Cancelled/Transferred during the year	0	(3,790)	0	(4,247)
Vested & exercised during the year	0	(7,946)	(6,329)	(10,026)
Outstanding at the end of the year	0	39,340	0	26,220
Period-end weighted-average fair value of awards granted during the period	N/A	\$37	N/A	\$37

All outstanding SAR awards were vested as of 31st December 2020. No SARs were granted in 2020 (2019: €Nil). The fair value of RSUs is equivalent to the market price of Harley-Davidson Inc. common stock on the grant date.

21. Pension commitments

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions charged to the Statement of Comprehensive Income amounted to €579,000 (2019: €539,000). At the Year-end €79,000 was accrued (2019: €79,000).

HARLEY-DAVIDSON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22. Leasing agreements

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 €000	2019 €000
Not later than 1 year	709	310
Later than 1 year and not later than 5 years	2,054	2,768
	<u>2,763</u>	<u>3,078</u>

23. Related party transactions

The Company has taken advantage of the exemption available under section 33.1a of FRS 102: Related Party Disclosures and accordingly has not disclosed transactions with wholly owned members of the Harley-Davidson Inc. group. There are no other related party transactions.

24. Post balance sheet events

In April 2021, the Company received notification from the Economic Ministry of Belgium that, following a request from the European Union, the Company would be subject to the revocation of the BOI rulings, effective April 19, 2021. Following the revocation, non-electric motorcycles Harley-Davidson imports into the European Union, regardless of origin, will be subject to a total tariff rate of 31% from April 19, 2021 to December 31, 2021.

Since the end of the fiscal year, no further events have occurred that are of material importance and could have a significant impact on the results of operations, financial position and net assets of the Company.

25. Parent and ultimate parent undertaking

The immediate parent company is Harley-Davidson Holding Co., Inc. The ultimate parent company is Harley-Davidson Inc., incorporated in the state of Wisconsin, USA, which heads up the largest group in which the results of the Company are consolidated. The consolidated accounts of this company are available to the public and may be obtained from 3700 W Juneau Avenue, PO Box 653, Milwaukee, WI 53201, USA.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.