



# Fueled by Opportunity

Dear Shareholders,

In my first annual letter to you, I underscored three words – courage, focus and determination. At that time, following one of the worst economic downturns in decades, I shared our clear strategic direction to maximize our opportunities and restore our company as a strong business that could consistently grow over the long-term. In the months and years that followed, through courage, focus and determination, we were bold about making the right moves to fuel our success:

- focus solely on the Harley-Davidson brand
- expand globally
- attract new customers in the U.S.
- transform our manufacturing, product development and retail capabilities



Our relentless commitment to be customer-led in all we do is key to these strategies and our purpose of fulfilling dreams of personal freedom. It is a commitment we are passionate about, and it is more important than ever as we aim to realize our full potential as a growing, global company.

Our many accomplishments over the last several years, including 2014, demonstrate the power of being customer-led and prove our strategic



direction was—and still is—the right one. Together, we are building on our strategies, driving continuous improvement across the entire organization and continuing to manage the business for the long-term.

## 2014 FINANCIAL PERFORMANCE

Through the outstanding efforts of our employees, suppliers and dealers worldwide, we delivered another year of strong financial performance in 2014. These results speak directly to the gains we have made as a more flexible and agile organization and our focus on keeping customers at the forefront of all we do. For the full year:

- Diluted earnings per share increased 18.3 percent, marking our fifth consecutive year of double-digit percentage EPS increases.
- Net income increased 15 percent as consolidated revenue topped \$6 billion for the first time since 2006.
- Dealers worldwide sold 267,999 new Harley-Davidson® motorcycles, a 2.7 percent increase over 2013, driven by a 5.4 percent increase in international sales.

**“Our many accomplishments over the last several years, including 2014, demonstrate the power of being customer-led and prove our strategic direction was—and still is—the right one.”**

KEITH E. WANDELL,  
CHAIRMAN, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

# 2014 Financial Performance

## 18.3%

INCREASE IN DILUTED  
EARNINGS PER SHARE

## \$6B

IN CONSOLIDATED REVENUE AND  
A 15% INCREASE IN NET INCOME

## 36.4%

GROSS MARGIN

## \$604M

SHARES OF COMPANY  
STOCK REPURCHASED

## 267,999

NEW HARLEY-DAVIDSON  
MOTORCYCLES SOLD AT RETAIL WORLDWIDE

## 18%

OPERATING MARGIN



- Gross margin and operating margin increased to 36.4 percent and 18 percent, respectively.
- The company continued to return value to shareholders, increasing its dividend 31 percent and repurchasing \$604 million in shares of company stock on a discretionary basis.

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# 2x

HARLEY-DAVIDSON GREW U.S. SALES TO OUTREACH CUSTOMERS, AT MORE THAN TWICE THE RATE OF SALES TO CORE CUSTOMERS.

## EXTENDING THE REACH OF THE BRAND

We achieved great success in leveraging the opportunity to expand globally while attracting new customers in the U.S. In 2014, in line with our strategy, we grew sales to both international and outreach customers while maintaining our leadership with core customers and strengthening our competitive position in all regions. In 2014:

- For the third straight year, Harley-Davidson grew U.S. retail sales to outreach customers, which includes young adults, women, African Americans and Hispanics, at more than twice the rate of the growth in sales to core customers.
- International retail sales of new Harley-Davidson motorcycles grew more than 5 percent and accounted for more than 36 percent of total retail Harley-Davidson motorcycle sales, with dealers in the Asia Pacific, EMEA and Latin America regions posting their highest new retail motorcycle sales on record for each region.



- In the Asia Pacific region, Australia, New Zealand, China, India and Asian emerging markets posted their best years ever. Sales in India doubled, driven by the availability of Street.
- Harley-Davidson reclaimed the number one market share position in Japan, our second largest market in the world.



- In Europe, sales grew in nearly every market as dealers leveraged the strength of Project RUSHMORE.

This success would not be possible without the dedication of our more than 1,460 independently owned Harley-Davidson dealerships in more than 90 countries. Every day, our dealers help fulfill our customers' dreams of personal freedom by delivering quality products and a true Harley-Davidson experience that is trusted, personalized and social. Since 2009, we added 136 new international dealerships, including 18 in 2014, meeting our goal to open 100-150 new dealerships from the end of 2009 through the end of 2014. Approximately two-thirds of these dealerships are in emerging markets.

Extending the reach of our brand is about more than selling motorcycles and growing our world-class dealer network. It's about inviting more people to experience the bond Harley-Davidson riders share regardless of generation or culture. H.O.G.® membership worldwide is now more than 947,000-members strong and is growing in new and existing markets. We also continue to bring new riders into the brand through the Harley-Davidson Riding Academy, where in the U.S., our dealers trained more than 39,000 students in 2014 and more than 400,000 since 2000. The program is also growing outside the U.S., with dealerships in China, South Africa and Mexico training more than 500 students during the first full year in operation.

#### **MOTORCYCLES AND MOMENTUM**

Since 2009, we have maintained a relentless focus on continuous improvement and operating efficiencies in product development and manufacturing. Not only do these efforts contribute to bottom-line performance, initiatives like surge production, now in its third year, give us greater flexibility to respond to customer demand and deliver the right motorcycles at the right time in the right place.

Our 2015 model year lineup continues to build on the momentum of recent years' successful launches from both a manufacturing and product standpoint. Leading up to the 2015 model launch, the model-year changeover in our plants was the smoothest in recent history, which speaks to our many advances on the manufacturing front and continued strong results in operating performance.

The 2015 model year lineup demonstrates our focus on bringing high-impact, high-demand motorcycles to market. With seven new Project RUSHMORE bikes—including Freewheeler™, Electra Glide® Ultra Classic® Low, Ultra Limited Low, CVO™ Street Glide® and return



**In addition to introducing our 2015 model year lineup, we surprised the industry and shattered the idea of what a Harley can be with Project LiveWire™ – Harley-Davidson’s first electric motorcycle. While not for sale, Project LiveWire was specifically designed to get insights into the features and experience riders would expect from a no-excuses electric Harley.**

of the Road Glide®—we built on the momentum and success of the 2014 Project RUSHMORE launch and reinforced our commitment to customer-led design through these amazing, innovative touring motorcycles.

As part of our 2015 lineup, we also rolled out Harley-Davidson Street™ 750 and Street 500, designed for a new generation of urban riders. Since launch, Street has been well-received in international markets, including India where more than half of all Harley-Davidson motorcycles sold in 2014 were Street bikes and where the bike was named 2015 Motorcycle of the Year. In the U.S., the majority of initial U.S. Street purchasers were new to the Harley-Davidson brand. And with the Street 500 being used in our Riding Academy, first-time riders have the opportunity to learn on an authentic Harley-Davidson motorcycle. We are excited about the possibilities with Street as it expands to nearly all of our markets worldwide in 2015.

In addition to introducing our 2015 model year lineup, we surprised the industry and shattered the idea of what a Harley can be with Project LiveWire™ – Harley-Davidson’s first electric motorcycle. While not for sale, Project LiveWire was specifically designed to get insights into the features and experience riders would expect from a no-excuses electric Harley. In 2014, during the Project LiveWire Experience Tour, we gave more than 6,800 demo rides across 30 stops in the U.S. The response was overwhelmingly positive. In 2015, we are taking the demo experience to a global audience as the tour expands to Europe, Canada and Asia Pacific.



## HDFS HELPS FULFILL DREAMS OF PERSONAL FREEDOM

Harley-Davidson Financial Services provides an important strategic advantage for our business, enabling more customers to make their dreams of owning a Harley-Davidson motorcycle a reality. In 2014, HDFS delivered by continuing to finance a majority of new Harley-Davidson motorcycles sold in the U.S. Internationally, HDFS entered into agreements with local lenders, insurance companies and brokers to add 11 finance and insurance programs in Latin America, Asia Pacific and EMEA during the year, including retail finance programs in Vietnam, Chile, Russia, Portugal and Finland. HDFS now facilitates 82 finance and insurance programs available in 32 countries.



## THE ROAD AHEAD: LEVERAGING OUR STRATEGIES, FUELED BY OPPORTUNITY

As I think back on the last six years, I am proud of what our team has accomplished, but more importantly, how it's been accomplished – through courage, focus, determination and by working together as one company and one team moving in one direction. Together, we built a firm foundation for future success.

A company cannot be great without great leaders at every level of the organization. During my time at Harley-Davidson, I had the privilege of working with some of the best leaders in any organization. One of these leaders is Matt Levatich, who will become President and CEO of Harley-Davidson, Inc. on May 1, 2015, when I retire from the company. Matt is a driving force behind our strategy and success, our focus as a customer-led organization, and the innovation and continuous improvement that

# 82

SEPARATE PROGRAMS  
IN 32 COUNTRIES

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are expanding Harley-Davidson's industry leadership. I have every confidence in the company's future under Matt's guidance given his tremendous leadership abilities and track record, his drive for excellence, deep knowledge of the business and passion for motorcycling.

This leadership transition comes at a time of great brand strength and performance for Harley-Davidson. Under Matt's leadership, Harley-Davidson will continue to implement the strategies we established through the lens of realizing our full potential as a growing, global company. This includes what we see as tremendous opportunities to bring bold new products to market, further extend our international reach, expand our opportunities with outreach customers and optimize our agility in manufacturing, product development and the customer retail experience.

With our ongoing strategic direction in clear focus, our business objectives remain extremely relevant:

- outperform the S&P over time
- grow international retail sales at a faster rate than U.S. sales
- within the U.S., grow sales to outreach customers at a faster rate than sales to core customers
- grow earnings at a faster rate than revenue

We believe there are tremendous opportunities at every turn to build on Harley-Davidson's many strengths as one of the world's most powerful brands and customer-led companies. With the passion and talent of our leadership team and our employees, dealers and suppliers—aligned like never before under a clear and compelling strategy—I'm convinced Harley-Davidson will continue to deliver strong business performance for our stakeholders, expand the reach of our brand and fulfill dreams of personal freedom for the next 112 years and beyond.

In closing, I personally thank our employees, suppliers, dealers, customers and you, our shareholders, for making my time at Harley-Davidson such a rewarding experience. I have had the opportunity and privilege to get to know many great people who live and breathe this brand. It is clear the passion is stronger and deeper than anything I could have imagined before I joined the company in 2009.



It has been an incredible honor serving as CEO of Harley-Davidson and working side by side with our team to lead a chapter in the storied history of this iconic company. What we have accomplished together has been remarkable, and I could not be more proud.

It's been a great ride.

A handwritten signature in orange ink, reading "Keith E. Wandell".

Keith E. Wandell

Chairman, President and Chief Executive Officer  
Harley-Davidson, Inc.

This Annual Review includes "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects," "plans," or "estimates" or words of similar meaning. Similarly, statements that describe future plans, objectives, outlooks, targets, guidance or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this Annual Review. These risks and uncertainties include, among other things, the Company's ability to execute its business strategy and manage through changes in general economic conditions, including changing capital, credit and retail markets, and political events, as well as the factors disclosed in the Company's January 29, 2015 press release relating to its results of operations for the quarter and year ended December 31, 2014 and the factors detailed in the Company's Securities and Exchange Commission filings. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this Annual Review are only made as of the date of this Annual Review, and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.