Throughout the world, Harley-Davidson unites people deeply, passionately and authentically. And in this unity there is a rich and unending variety of personal experiences. From town to town and country to country, Harley-Davidson transcends cultures in ways that resonate locally with both global significance and local relevance. It’s no surprise that Harley-Davidson ranks as one of the strongest brands in the world. Such accolades are gratifying of course, but igniting the fire within people all over the world is much more important.
DEAR FELLOW SHAREHOLDERS:

2007 was a lot like that motorcycle trip you take in early summer in the mountains—the one where the forecast is for blue skies and dry roads and, all of a sudden, at 6000 feet of elevation, you find yourself in the middle of a snowstorm. You know that with caution and perseverance you’ll reach your destination. But in the meantime, it’s sure tough to get much traction and it makes for some uncomfortable riding!

Harley-Davidson had a challenging year in 2007 as growing troubles in the U.S. economy impacted materially our demand for discretionary purchases like motorcycles. Revenue for the year was $5,726.8 million, a 4.7% increase over 2006 and 317,169 in 2005. Diluted earnings per share were $3.94 in 2007 as growing troubles in the U.S. economy rebounded and we intented to be well-positioned to take advantage of those opportunities.

International shipments, in the fourth-quarter motorcycle shipments, in a 0.7% increase in operating income compared to 2006 and 317,169 in 2005. Diluted earnings per share were $3.94 in 2007 as growing troubles in the U.S. economy rebounded and we intend to be well-positioned to take advantage of those opportunities.

2008—AN EXCITING YEAR

...AN EXCITING YEAR...
Ober the Past Decade, Japanese Culture Has Changed. Women Are Encouraged to Assume Less Traditional Roles and Follow Their Dreams. During This Same Time Frame, the Country Has Experienced a Significant Increase in the Number of Women Riding Harley-Davidson® Motorcycles Thanks to Harley-Davidson’s Innovative Efforts to Help Them Get Started.

Overcoming Barriers in Japan

More than ever before, Japanese women have an interest in riding motorcycles, and it’s now socially permissible for them to do so. Yet for many women, there are barriers to getting involved. Limited product knowledge and an absence of riding skills can be huge obstacles. But above all, Japanese women tend to be apprehensive about approaching a traditionally male-oriented sport. To conquer these barriers, Harley-Davidson created an event for women only—the Ladies Debut Ride. Women learned the basics about Harley-Davidson motorcycles and customization techniques and had the chance to demo all Harley models in a private area, closed to traffic. Female employees led the event, demonstrating riding techniques and raising the confidence of the guests. Combining a safe learning environment with the camaraderie of a ladies-only get together, aspiring female riders enjoyed an experience pertinent to their preferences.

Most importantly, Japanese women felt more confident about riding and connected to the brand.

Breaking Through in the U.S.A.

Jeremy Jones is One of the World’s Top Professional Snowboarders. Revered Among Fans for His Rebellious Snowboarding Style, He Epitomizes the Kind of Cool to Which Many Young Adults Aspire. He’s Also a Harley-Davidson Rider.

Blending his passions, Jeremy organized a crew of snowboarders to take the first Ladies Debut Ride from Harley-Davidson of Salt Lake City to western Nevada to snowboard and film a mini-documentary, “The Morning Out of Austin.” They covered 1,300 miles on their ride and encountered every element Mother Nature could dish out. But they blazed right through—making the road stories that were detailed in the film even better. The ride united the worlds of action sports with motorcycling, paving the way to reach a community of young adults that shares our brand values. The ride received international media coverage in key snowboarding magazines and, when the film was complete, Harley-Davidson of Salt Lake City threw a premiere party. The dealership converted the showroom into a movie theater and entertained Jeremy and his crew, along with 1,000 fans. Before the movie was even released, the dealership began to see new, younger customers. The word was out among the snowboarding community and these enthusiasts bought motorcycles. Best of all, the word on the street is planting seeds for the future.
In 2005, the first Harley-Davidson dealership opened in Moscow and the city’s first enthusiasts anticipated an indulgent dealership experience. Harley-Davidson had to find a way to strike the balance between exclusivity and Harley-style sensibilities. To meet in

The middle, the urban dealership created a traditional retail environment with a VIP twist: a luxuriously furnished waiting area, lavish food and beverages and a full wait staff. Soon a second dealership opened in a suburban luxury shopping village, alongside high-end auto, jewelry and apparel retailers. That store featured fine finishes and fixtures, with the added touch of doormen to cater more directly to high-income customers. Growth continues. A new retail location opened last year inside one of the most high-end department stores in the city. The store within a store concept is a radical departure from Harley-Davidson’s traditional retail strategy. Today, the shop merchandises motorcyclists and apparel to influential shoppers alongside other exclusive brands.

As the Harley-Davidson brand has come to life, sales have tripled in Moscow since 2005. Locals have a stylish new way to express themselves and, as the middle class begins to benefit from changing economics, the future looks exciting.

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However, to connect with Turkey’s youth culture, Harley-Davidson Istanbul decided to do things a little differently. The dealership started a riding group named Night Riders to generate interest in a trendy, urban motorcycle lifestyle. The group convenes on Friday nights to ride to the hottest dance clubs and late night cafes. Parking, entering and leaving together, crowds can’t help but notice the group riding genuine Harley-Davidson motorcycles. The idea marries an attribute of Harley-Davidson culture—riding together—to an activity interesting to young Turkeys—late night socializing. With more and more riders joining the ranks of the Night Riders, the effort has caught the attention of Turkey’s young adults, giving them an authentic way to express their lifestyle.

The coolies have solid spending power. Wealth is on display everywhere you look, giving Moscow a sense of extravagant style. Fine restaurants and fashionable shops dot every corner, filling the感官 with overwhelming opulence. The city’s first Harley-Davidson dealership opened in 2005 and the city’s first enthusiasts anticipated an indulgent dealership experience. Harley-Davidson had to find a way to strike the balance between exclusivity and Harley-style sensibilities. To meet in the middle, the urban dealership created a traditional retail environment with a VIP twist: a luxuriously furnished waiting area, lavish food and beverages and a full wait staff. Soon a second dealership opened in a suburban luxury shopping village, alongside high-end auto, jewelry and apparel retailers. That store featured fine finishes and fixtures, with the added touch of doormen to cater more directly to high-income customers. Growth continues. A new retail location opened last year inside one of the most high-end department stores in the city. The store within a store concept is a radical departure from Harley-Davidson’s traditional retail strategy. Today, the shop merchandises motorcyclists and apparel to influential shoppers alongside other exclusive brands.

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FUELED BY BUOVANT ECONOMIC CONDITIONS, AUSTRALIA'S APPETITE FOR HARLEY-DAVIDSON MOTORCYCLES HAS BEEN VORACIOUS OVER THE PAST FIVE YEARS. AUSTRALIANS IN RURAL MINING STATES LIKE WESTERN AUSTRALIA AND QUEENSLAND HAVE PARTICULARLY PROSPERED AS THE COUNTRY'S NATURAL RESOURCES CONTINUE TO BE IN HIGH DEMAND GLOBALLY.

Australians living in these remote areas must travel great distances to reach neighboring towns—often voyaging hundreds of miles between cities. To foster the enthusiast community, Harley-Davidson worked to enhance every dealership experience in the country, giving riders first-rate stopping points along their journeys. Richardson’s Harley-Davidson in Tasmania updated its 30-year-old business with a massive log cabin-style store, reflecting the territory’s tall timber surroundings. Inside, visitors can browse Harley-Davidson motorcycles and MotorClothes apparel, as well as a display of vintage motorcycles. A large, sit-down restaurant offers fare for the hungry and a welcoming fire burns all winter, fostering a gathering spot to meet new friends and trade stories. And the youngest enthusiasts can hang out in the Kids’ Club play area while the grown-ups shop. The dealership has become a favorite destination for riders from all over Australia’s sprawling countryside. And guests who initially came for coffee and a peek at the Harley-Davidson lifestyle have become frequent visitors as the dealership cultivates customers from all walks of life.

UNTIL THE LATE 1990s, TWO-WHEELED TRANSPORTATION IN KOREA WAS ALL ABOUT GETTING FROM POINT A TO POINT B. THE IDEA OF A MOTORCYCLE LIFESTYLE — WELL UNDERSTOOD IN THE WESTERN WORLD — WAS COMPLETELY FOREIGN IN THIS COUNTRY.

When the Motor Company began doing business in Korea, overcoming the utilitarian perception of motorcycles was imperative to getting consumers to value leisure riding. Developing the Harley-Davidson lifestyle was a necessity.

While instilling a desire for the freedom of touring and the camaraderie of friends was important to establishing the lifestyle, Harley-Davidson took the country’s cultural values into account to ensure a relevant experience. Knowing that family life is particularly cherished in the country, plans evolved with “family” at front and center. All Korean Harley-Davidson events provide activities for family members, regardless of whether they ride or not. One recent riding event, the Family Tour, invited riders’ families to join the trip. Motorcycles led the ride and coaches followed with family members in tow. Every stop included family activities—rafting, games, dinner parties and shopping—to ensure the whole family had a memorable experience.

Because of events like this, riders consider Harley-Davidson motorcycles more than a means of transportation. They consider it an activity that enhances their family’s lifestyle in ways they cherish.
**BRAZIL**

When the stunning Harley-Davidson® VRSC V-Rod™ launched in 2001, it presented a unique opportunity to capture the attention of the Brazilian market. Stylistically, the V-Rod was like no other motorcycle in the world and raised the bar of contemporary design that locals coveted. To guarantee a buzz, Brazil’s Izzo Harley-Davidson boldly redesigned one of its store environments, putting the V-Rod in the spotlight. With modern and minimalist decor, a showcase of fashionable riding gear, cool music and young, hip staff—all of whom ride V-Rod motorcycles—the atmosphere seamlessly conveyed the spirit of the new bike. Brazilians sensed the V-Rod experience immediately upon entering the dealership and the platform has become one of Harley-Davidson’s top sellers in the country. Today, each Harley-Davidson motorcycle family is displayed in a setting that evokes its soul. And Izzo Harley-Davidson dealerships are matching the varying needs of Brazilian riders’ tastes with the right bikes, capturing them for the long haul.

**ITALY**

Italy is steeped in two-wheeled tradition. Everywhere you look, fashionable young Italians zip around town on nimble city motorcycles. What’s more, nearly half of the adult population is licensed to ride.

But the culture presents an interesting opportunity: most Italians prefer shopping in their nearest town and they avoid traveling distances to shop. If an item can’t be found in town, it isn’t essential.

In this preference was a chance to capture the attention of customers who may never have walked into a Harley-Davidson dealership. Enter the Harley-Davidson Experience Tour. This mobile street promotion gave locals the chance to easily demo ride a bike in their town square during market hours, no traveling required. Harley-Davidson employees gave shoppers one-on-one attention to fully understand their riding preferences and tailor the experience to their needs. Once a rider is hooked on the experience, a trip to a dealership becomes an absolute necessity.

Now Italians are finding it easy to hop on a Harley-Davidson motorcycle. Other European countries, such as Sweden and Spain are setting up similar programs.
In 2007, Harley-Davidson continued to effectively manage its balance sheet and realized a return on invested capital (ROIC) of 30.6% at the end of 2007 of 35.6%. The company has maintained a ROIC of over 20% every year since 1995. Revenue from sales of Harley-Davidson motorcycles decreased to $4.4 billion in 2007, a decline of 12% from 2006. Book motorcycle revenue of $1.01 billion was down 17% from 2006. Revenue from Genuine Parts and Accessories in 2007 totaled $508 million, a 17% increase over the previous year, and General Merchandise revenue was $659 million, an increase of 10% compared to 2006. Harley-Davidson continues to effectively manage its balance sheet and realized a return on invested capital (ROIC) of 30.6% at the end of 2007 of 35.6%. The company has maintained a ROIC of over 20% every year since 1995. Revenue from sales of Harley-Davidson motorcycles decreased to $4.4 billion in 2007, a decline of 12% from 2006. Book motorcycle revenue of $1.01 billion was down 17% from 2006. Revenue from Genuine Parts and Accessories in 2007 totaled $508 million, a 17% increase over the previous year, and General Merchandise revenue was $659 million, an increase of 10% compared to 2006. Harley-Davidson continues to effectively manage its balance sheet and realized a return on invested capital (ROIC) of 30.6% at the end of 2007 of 35.6%. The company has maintained a ROIC of over 20% every year since 1995. Revenue from sales of Harley-Davidson motorcycles decreased to $4.4 billion in 2007, a decline of 12% from 2006. Book motorcycle revenue of $1.01 billion was down 17% from 2006. Revenue from Genuine Parts and Accessories in 2007 totaled $508 million, a 17% increase over the previous year, and General Merchandise revenue was $659 million, an increase of 10% compared to 2006.

**2007 Financial Performance Summary**

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**Operating Income**
- **Operating Income:** $934 million in 2007, down 10.1% from 2006.
- **Gross Profit:** $1.2 billion in 2007, down 7% from 2006.
- **Selling, General and Administrative Expenses:** $1.8 billion in 2007, down 5% from 2006.

**Net Income**
- **Net Income:** $207 million in 2007, down 62% from 2006.
- **Diluted Earnings Per Share:** $0.69 in 2007, down 62% from 2006.

**Shareholders’ Equity**
- **Shareholders’ Equity:** $3.9 billion at December 31, 2007, up 10% from December 31, 2006.

**Dividends**
- **Cash Dividends:** $0.2 billion in 2007, up 10% from 2006.

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