

# Harley-Davidson Income Soars, But Sales Still Sluggish

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NEW YORK (AP) — A rebound at its financial services business and stabilizing sales of its high-end motorcycles sent Harley-Davidson's net income soaring in the second quarter, but the company cautioned that the market for its two-wheelers will remain challenging this year.

Harley, which has been restructuring for more than a year, said worldwide retail sales of its motorcycles fell 5.5 percent from last year, yet that was a less precipitous decline than in previous quarters. Retail sales in the U.S. fell more than 8 percent, while sales were flat in its foreign markets.

Shares rose 24 cents to \$23.85 in premarket trading.

The Milwaukee company began a major overhaul at the start of 2009 to cope with a shrinking market and an economic downturn that has undercut demand for its pricey, chrome-laden motorcycles. Sales of Harley bikes, whose prices range from \$7,000 to \$25,000 or more, are closely tied to the health of the broader economy.

Last year Harley shut down its Buell sport-bike line and it is trying to sell its premium motorcycle unit, MV Agusta. In December, the company and its union agreed to a cost-cutting contract at its main motorcycle plant in York, Pa. This week, Harley begins negotiations with its union in Wisconsin, where it wants similar savings.

The company is threatening to move its Wisconsin production elsewhere if it doesn't get the cost savings it is looking for, which include lower costs at its Milwaukee and Tomahawk, Wis., production facilities and more flexibility with workers when it comes to seasonal production needs.

Harley got a lift from a profitable quarter at Harley-Davidson Financial Services, which makes loans to Harley customers and dealers. The business unit weighed heavily on the rest of the business during the recession as the credit markets locked up, but it posted operating income of \$60.8 million in the second quarter, compared with a loss of \$90.5 million last year.

Net income in the three months ended June 27 totaled \$71.2 million, or 30 cents per share. That compares with net income of \$19.8 million, or 8 cents per share, in the same period last year.

Excluding discontinued operations, income was 59 cents per share. Revenue from motorcycles and related products was flat at \$1.14 billion.

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Analysts surveyed by Thomson Reuters expected 41 cents per share on \$1.13 billion in revenue.

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