

## **HARLEY-DAVIDSON REPORTS 2008 RESULTS, PLANS LOWER 2009 SHIPMENTS**

### **AND UNVEILS STRATEGY FOR CURRENT ENVIRONMENT**

**Company Generated Full-Year Profit of \$654.7 Million**

**Fourth Quarter Revenue, Net Income and EPS Declined**

**Three-Part Strategy Includes Workforce Reductions to Address Volume Slow-Down**

*Milwaukee, Wis., January 23, 2009* – Harley-Davidson Inc. (NYSE:HOG) reported decreased revenue, net income and earnings per share for the fourth quarter of 2008 compared to the year-ago quarter. The Company said it plans lower motorcycle shipments in 2009 and made public its overall strategy to deal with the current economic environment.

“We have a strong core business anchored by a uniquely powerful brand, but we are certainly not immune to the current economic conditions,” said Jim Ziemer, Chief Executive Officer, Harley-Davidson Inc. “We have a clear strategy to not only deal with the economic conditions, but also strengthen our long-term operations and financial results. We are executing that strategy with confidence and conviction.”

### **Fourth-Quarter and Full-Year Results**

Revenue for the quarter was \$1.29 billion compared to \$1.39 billion in the year-ago quarter, a 6.8 percent decrease. Net income for the quarter was \$77.8 million compared to \$186.1 million in the fourth quarter 2007, a decrease of 58.2 percent. Fourth quarter diluted earnings per share were \$0.34, a 56.4 percent decrease compared to last year’s \$0.78. Revenue for the full year 2008 was \$5.59 billion compared to \$5.73 billion in 2007, a 2.3 percent decline. Full-year net income was \$654.7 million, compared to \$933.8 million in 2007. Diluted

earnings per share were \$2.79, a decrease of 25.4 percent compared to \$3.74 in 2007. The full-year results are below the previously provided company guidance.

For the full year, wholesale shipments of Harley-Davidson® motorcycles were 303,479 units, an 8.2 percent decrease compared to 330,619 units in 2007.

### **2009 Shipment Plan, Gross Margins**

In the first quarter of 2009, the Company plans to ship between 74,000 and 78,000 new Harley-Davidson motorcycles, a 3.0 percent to 8.5 percent increase versus the first quarter of 2008. However, for the full year 2009, the Company plans to ship between 264,000 and 273,000 new Harley-Davidson motorcycles, a 10 percent to 13 percent reduction from 2008.

“We reduced our production levels prudently in 2008, helping our dealers achieve lower inventory levels,” said Ziemer, “and we’re going to show similar discipline in 2009. That’s not only critical for the health of our business, but for our dealers’ businesses, as well.”

For the full year 2009, the Company expects gross margins to be between 30.5 percent and 31.5 percent, which compares to 34.5 percent for the full year 2008. The decrease is primarily due to an expected unfavorable shipment mix versus 2008, the allocation of fixed costs over fewer units, and expected unfavorable foreign currency exchange rates versus 2008. Given the volatility of the current economic environment, the Company also indicated it would not provide EPS guidance for 2009.

### **Strategy for the Current Economic Environment**

The Company is executing a three-part strategy that includes a number of measures to deal with the impact of the recession and worldwide slowdown in consumer demand, with the intent of strengthening its operations and financial results going forward.

“Our strategy is focused on three critical areas: to invest in the Harley-Davidson brand, get our cost-structure right, and obtain funding for HDFS to help our dealers sell motorcycles and our retail customers to buy them,” said Ziemer

### **Investing in the Brand**

The Company is reinforcing its support of the Harley-Davidson brand, accelerating its ongoing marketing efforts to reach out to emerging rider groups, including younger and diverse riders. In addition, the Company will continue to focus on product innovations targeted at specific growth opportunities with its strong core customer base and new riders.

In the U.S., the Company said its Sportster® motorcycle trade-up program is being well-received by dealers and consumers and is generating new floor traffic during the winter months. The program lets riders who already own a qualifying Sportster motorcycle, or who buy a new Sportster motorcycle, receive back the original Manufacturer's Suggested Retail Price value when they trade up to a Harley-Davidson Big Twin or VRSC motorcycle at participating dealerships.

Outside the U.S., the Company will continue to support the product, dealer development and marketing activities which, during the last several years, have helped drive strong retail sales growth.

“Among other things, the Harley-Davidson brand stands for strength and resilience, and we're managing the business in this economic climate in ways that we believe will build long-term value into the brand,” said Ziemer.

### **Adjusting the Cost Structure**

As a result of motorcycle volume reduction and the Company's commitment to improve its cost structure, Harley-Davidson plans to:

- Consolidate its two engine and transmission plants in the Milwaukee area into its facility in Menomonee Falls, Wis.
- Consolidate paint and frame operations at its assembly facility in York, Pa.
- Close its distribution facility in Franklin, Wis., consolidating Parts and Accessories and General Merchandise distribution through a third party.

- Discontinue its domestic transportation fleet operation.

The planned volume reduction and restructuring actions are expected to result in the elimination of about 1,100 jobs over 2009 and 2010, including about 800 hourly production positions and about 300 non-production, primarily salaried positions. About 70 percent of the workforce reduction is expected to occur in 2009. “We obviously need to make adjustments to address the current volume declines,” said Ziemer. “But we are also determined to do that in a way that will make us more competitive for the long term. Our management group will engage with union leaders, through our partnering relationship, regarding these changes.” On a combined basis, Harley-Davidson expects the volume reduction and changes to operations to result in one-time charges of approximately \$110 million to \$140 million over 2009 and 2010, and ongoing annual savings of approximately \$60 million to \$70 million upon completion of the restructuring actions.

### **Obtaining Additional Funding for HDFS**

The Company said it is evaluating a range of options to provide the necessary liquidity for the wholesale and retail lending activities of Harley-Davidson Financial Services (HDFS).

“We’re evaluating options in order to obtain the necessary funding to support Harley-Davidson dealers and customers throughout the year,” said Tom Bergmann, Chief Financial Officer of Harley-Davidson, Inc. and interim President of HDFS.

### **Additional Detail on 2008 Results**

#### **Motorcycles and Related Products Segment – Fourth Quarter Results**

Revenue from Harley-Davidson motorcycles was \$1.02 billion, a decrease of \$95.4 million or 8.5 percent versus the same period last year. Shipments of Harley-Davidson motorcycles totaled 76,581 units, down 4,625 units or 5.7 percent compared to last year’s fourth quarter.

Revenue from Parts and Accessories (P&A), which consists of Genuine Motor Parts and Genuine Motor Accessories, totaled \$152.1 million, lower by \$13.1 million or 7.9 percent compared to the year-ago quarter. Revenue from General Merchandise, which

consists of MotorClothesâ apparel and collectibles, totaled \$69.0 million, a decline of \$4.4 million or 6.0 percent from the year-ago quarter.

Gross margin for the fourth quarter of 2008 was 31.6 percent of revenue compared to 35.7 percent for the fourth quarter last year. This decrease is primarily due to unfavorable shipment mix versus last year's fourth quarter, higher product costs and the cost of the Sportster motorcycle trade-up promotion. Fourth quarter operating margin decreased to 12.0 percent from 18.1 percent in the fourth quarter of 2007, reflecting the impact of lower revenue in the fourth quarter of 2008 compared to the year-ago period.

### **Motorcycle Retail Sales Data**

During the fourth quarter, worldwide retail sales of Harley-Davidson motorcycles decreased 13.1 percent compared to the fourth quarter of 2007. U.S. retail sales of Harley-Davidson motorcycles were down 19.6 percent for the quarter. The overall heavyweight motorcycle market in the U.S. decreased 25.5 percent for the same period.

Retail sales of Harley-Davidson motorcycles grew 0.7 percent in the Company's international markets during the fourth quarter of 2008 compared to the year-ago period. Fourth quarter retail sales increased 1.4 percent in Canada; the Europe Region was up 3.4 percent; the Asia Pacific Region was down 8.9 percent; and the Latin America Region was up 28.0 percent.

For the full-year 2008, worldwide retail sales of Harley-Davidson motorcycles declined 7.1 percent compared to the prior year. U.S. retail sales of Harley-Davidson motorcycles declined 13.0 percent for the full year while the U.S. heavyweight market was down 7.0 percent for the same period. International retail sales of Harley-Davidson motorcycles increased 10.3 percent for the full year 2008.

Full year data are listed in the accompanying tables.

### **Financial Services Segment**

Harley-Davidson Financial Services (HDFS) recorded an operating loss of \$24.9 million for the fourth quarter, \$63.5 million lower than the operating income in the year-ago quarter. The decrease is primarily due to a \$35.1 million write-down of retained

securitization interests and a \$28.4 million write-down to fair value of finance receivables held for sale. The write-downs were due to higher projected credit losses and an increase in the discount rate used for the valuation of receivables.

“Our priorities for HDFS in 2009 are to continue to obtain funding for its lending activities, manage credit losses in this challenging environment and provide support to the Harley-Davidson dealer network,” said Bergmann.

### **Income Tax Rate**

The Company’s fourth quarter effective income tax rate was 36.9 percent compared to 35.5 in the same quarter last year. The 2008 fourth quarter increase was primarily related to the tax implications of MV Augusta, which the Company acquired in August 2008.

### **Harley-Davidson, Inc. – Twelve Month Results**

For the full year of 2008, revenue totaled \$5.59 billion, down 2.3 percent from last year’s \$5.73 billion. Shipments of Harley-Davidson motorcycles were 303,479 units, compared to last year’s 330,619 units. Harley-Davidson motorcycle revenue was \$4.28 billion, down 3.8 percent compared to last year’s \$4.45 billion. P&A revenue was \$858.7 million, down 1.1 percent compared to last year’s \$868.3 million. General Merchandise revenue increased to \$313.8 million, a 2.8 percent increase compared to \$305.4 million in the full year of 2007.

HDFS operating income was \$82.8 million, a 61.0 percent decrease from last year’s \$212.2 million.

### **Cash Flow**

Cash and marketable securities totaled \$593.6 million as of December 31, 2008. Cash used by operations was \$684.6 million, and capital expenditures were \$232.2 million during the full year of 2008.

For the full year of 2009, capital expenditures, excluding those associated with restructuring activities, are expected to be between \$180 million and \$200 million. The Company expects restructuring activities to result in additional capital expenditures of \$10 million to \$20 million in 2009.

### **Stock Repurchase**

The Company did not repurchase shares in the fourth quarter of 2008. For the full year 2008, the Company repurchased 6.4 million shares of its common stock at a cost of \$250.4 million. On December 31, 2008, the Company had 232.8 million shares of common stock outstanding.

As of December 31, 2008, there were 16.7 million shares remaining on a board-approved share repurchase authorization. An additional board-approved share repurchase authorization is in place to offset option exercises.