

**POLARIS INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In Thousands, Except Per Share Data)  
(Unaudited)

|  | <b>For Three Months</b>   |                    | <b>For the Year</b>       |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <b>Ended December 31,</b> |                    | <b>Ended December 31,</b> |                    |
|  | <b><u>2008</u></b>        | <b><u>2007</u></b> | <b><u>2008</u></b>        | <b><u>2007</u></b> |
| Sales  | \$ 523,603                | \$ 541,415         | \$ 1,948,254              | \$ 1,780,009       |
| Cost of sales                                  | <u>404,358</u>            | <u>422,458</u>     | <u>1,502,546</u>          | <u>1,386,989</u>   |
| Gross profit                                   | 119,245                   | 118,957            | 445,708                   | 393,020            |
| Operating expenses                             |                           |                    |                           |                    |
| Selling and marketing                          | 32,985                    | 31,032             | 137,035                   | 123,897            |
| Research and development                       | 18,341                    | 18,829             | 77,472                    | 73,587             |
| General and administrative                     | <u>16,902</u>             | <u>15,965</u>      | <u>69,607</u>             | <u>64,785</u>      |
| Total operating expenses                       | 68,228                    | 65,826             | 284,114                   | 262,269            |
| Income from financial services                 | <u>3,996</u>              | <u>9,650</u>       | <u>21,205</u>             | <u>45,285</u>      |
| Operating Income                               | 55,013                    | 62,781             | 182,799                   | 176,036            |
| Non-operating Expense (Income):                |                           |                    |                           |                    |
| Interest expense                               | 1,794                     | 2,900              | 9,618                     | 15,101             |
| Loss (Income) from manufacturing affiliates    | 82                        | (441)              | 156                       | (471)              |
| Gain on sale of manufacturing affiliate shares | -                         | -                  | -                         | (6,222)            |
| Other expense (income), net                    | <u>(2,904)</u>            | <u>1,140</u>       | <u>(4,037)</u>            | <u>(2,708)</u>     |
| Income before income taxes                     | 56,041                    | 59,182             | 177,062                   | 170,336            |
| Provision for Income Taxes                     | <u>19,801</u>             | <u>21,181</u>      | <u>59,667</u>             | <u>57,738</u>      |
| Net Income from continuing operations          | \$ 36,240                 | \$ 38,001          | \$ 117,395                | \$ 112,598         |
| Loss from discontinued operations, net of tax  | -                         | (290)              | -                         | (948)              |
| Net Income                                     | <u>\$ 36,240</u>          | <u>\$ 37,711</u>   | <u>\$ 117,395</u>         | <u>\$ 111,650</u>  |
| Basic Net Income per share                     |                           |                    |                           |                    |
| Continuing operations                          | \$ 1.13                   | \$ 1.11            | \$ 3.58                   | \$ 3.20            |
| Loss from discontinued operations              | -                         | (0.01)             | -                         | (0.03)             |
| Net Income                                     | <u>\$ 1.13</u>            | <u>\$ 1.10</u>     | <u>\$ 3.58</u>            | <u>\$ 3.17</u>     |
| Diluted Net Income per share                   |                           |                    |                           |                    |
| Continuing operations                          | \$ 1.11                   | \$ 1.07            | \$ 3.50                   | \$ 3.10            |
| Loss from discontinued operations              | -                         | (0.01)             | -                         | (0.03)             |
| Net Income                                     | <u>\$ 1.11</u>            | <u>\$ 1.06</u>     | <u>\$ 3.50</u>            | <u>\$ 3.07</u>     |
| Weighted average shares outstanding:           |                           |                    |                           |                    |
| Basic  | <u>32,112</u>             | <u>34,359</u>      | <u>32,770</u>             | <u>35,236</u>      |
| Diluted  | <u>32,661</u>             | <u>35,417</u>      | <u>33,564</u>             | <u>36,324</u>      |

All periods reflect the classification of the Marine Division results as discontinued operations.

**POLARIS INDUSTRIES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands)

**Subject to Reclassifications**

|   | <u>December 31, 2008</u><br>(unaudited) | <u>December 31, 2007</u> |
|---|---|--------------------------|
| <b>Assets</b>   |   |                          |
| Current Assets  |   |                          |
| Cash and cash equivalents   | \$ 27,127                               | \$ 63,281                |
| Trade receivables, net  | 98,598                                  | 82,884                   |
| Inventories, net  | 222,312                                 | 218,342                  |
| Prepaid expenses and other  | 14,924                                  | 17,643                   |
| Income taxes receivable   | 4,521                                   | -                        |
| Deferred tax assets   | 76,130                                  | 65,406                   |
| Total current assets  | <u>443,612</u>                          | <u>447,556</u>           |
| Property and equipment, net   | 215,637                                 | 204,351                  |
| Investments in finance affiliate  | 51,565                                  | 53,801                   |
| Investments in manufacturing affiliates   | 15,641                                  | 32,110                   |
| Deferred income taxes   | -                                       | 5,572                    |
| Goodwill, net   | 24,693                                  | 26,447                   |
| Intangible and other assets, net  | -                                       | 44                       |
| <b>Total Assets</b>   | <u>\$ 751,148</u>                       | <u>\$ 769,881</u>        |
| <b>Liabilities and Shareholders' Equity</b>   |   |                          |
| Current Liabilities:  |   |                          |
| Accounts payable  | \$ 115,986                              | \$ 90,045                |
| Accrued expenses:   |   |                          |
| Compensation  | 56,567                                  | 55,465                   |
| Warranties  | 28,631                                  | 31,782                   |
| Sales promotions and incentives   | 75,211                                  | 79,233                   |
| Dealer holdback   | 80,941                                  | 83,867                   |
| Other   | 42,274                                  | 40,746                   |
| Income taxes payable  | 3,373                                   | 4,806                    |
| Current liabilities from discontinued operations  | 1,850                                   | 2,302                    |
| Total current liabilities   | <u>404,833</u>                          | <u>388,246</u>           |
| Long term income taxes payable  | 5,103                                   | 8,653                    |
| Deferred income taxes   | 4,185                                   | -                        |
| Borrowings under credit agreement   | 200,000                                 | 200,000                  |
| Total liabilities   | <u>\$ 614,121</u>                       | <u>\$ 596,899</u>        |
| <b>Shareholders' Equity:</b>  |   |                          |
| Preferred stock \$0.01 par value, 20,000 shares authorized,<br>no shares issued and outstanding             | -                                       | -                        |
| Common stock \$0.01 par value, 80,000 shares authorized,<br>32,492 and 34,212 shares issued and outstanding | \$ 325                                  | \$ 342                   |
| Additional paid-in capital  | -                                       | -                        |
| Retained earnings   | 140,559                                 | 146,763                  |
| Accumulated other comprehensive income (loss), net  | (3,857)                                 | 25,877                   |
| Total shareholders' equity  | <u>\$ 137,027</u>                       | <u>\$ 172,982</u>        |
| <b>Total Liabilities and Shareholders' Equity</b>   | <u>\$ 751,148</u>                       | <u>\$ 769,881</u>        |

All periods reflect the classification of the Marine Division results as discontinued operations.

**POLARIS INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)  
(Unaudited)

| <b>Subject to Reclassification</b>  | <b>For the Year Ended</b><br><b><u>Ended December 31,</u></b> |                    |
|---|---|--------------------|
|   | <b><u>2008</u></b>  | <b><u>2007</u></b> |
| <b>Operating Activities:</b>  |   |                    |
| Net income before cumulative effect of accounting change                          | \$ 117,395  | \$ 111,650         |
| Net loss from discontinued operations   | -   | 948                |
| Adjustments to reconcile net income to net cash provided by operating activities: |   |                    |
| Depreciation and amortization   | 66,112  | 62,093             |
| Noncash compensation  | 18,558  | 19,759             |
| Noncash income from financial services  | (4,604)   | (5,268)            |
| Noncash expense (income) from manufacturing affiliates                            | 157   | (46)               |
| Deferred income taxes   | (966)   | (10,276)           |
| Changes in current operating items:   |   |                    |
| Trade receivables   | (15,714)  | (19,069)           |
| Inventories   | (3,970)   | 12,191             |
| Accounts payable  | 25,941  | (10,627)           |
| Accrued expenses  | (7,469)   | 38,648             |
| Income taxes payable/receivable   | (9,504)   | 9,519              |
| Prepaid expenses and others, net  | (9,730)   | 3,644              |
| Net cash provided by continuing operations  | 176,206   | 213,166            |
| Net cash flow (used for) discontinued operations                                  | (452)   | (3,008)            |
| Net cash provided by operating activities   | 175,754   | 210,158            |
| <b>Investing Activities:</b>  |   |                    |
| Purchase of property and equipment  | (76,575)  | (63,747)           |
| Investments in finance affiliate, net   | 6,840   | 7,096              |
| Proceeds from sale of shares of manufacturing affiliate                           | -   | 77,086             |
| Net cash provided by (used for) investing activities                              | (69,735)  | 20,435             |
| <b>Financing Activities:</b>  |   |                    |
| Borrowings under credit agreement   | 786,000   | 368,000            |
| Repayments under credit agreement   | (786,000)   | (418,000)          |
| Repurchase and retirement of common shares  | (107,167)   | (103,100)          |
| Cash dividends to shareholders  | (49,602)  | (47,739)           |
| Tax effect of proceeds from stock based compensation exercises                    | 12,865  | 2,232              |
| Proceeds from stock issuances under employee plans                                | 1,731   | 11,729             |
| Net cash used for financing activities  | (142,173)   | (186,878)          |
| Net increase (decrease) in cash and cash equivalents                              | (36,154)  | 43,715             |
| Cash and cash equivalents at beginning of period                                  | 63,281  | 19,566             |
| Cash and cash equivalents at end of period  | <u>\$ 27,127</u>  | <u>\$ 63,281</u>   |

All periods reflect the classification of the Marine Division results as discontinued operations.