

**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>	
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>
Sales	\$ 471,770	\$ 523,603	\$ 1,565,887	\$ 1,948,254
Cost of Sales	<u>343,160</u>	<u>404,358</u>	<u>1,172,668</u>	<u>1,502,546</u>
Gross profit	128,610	119,245	393,219	445,708
Operating expenses				
Selling and marketing	27,769	32,985	111,137	137,035
Research and development	15,872	18,341	62,999	77,472
General and administrative	<u>20,285</u>	<u>16,902</u>	<u>71,184</u>	<u>69,607</u>
Total operating expenses	63,926	68,228	245,320	284,114
Income from financial services	<u>4,779</u>	<u>3,996</u>	<u>17,071</u>	<u>21,205</u>
Operating Income	69,463	55,013	164,970	182,799
Non-operating Expense (Income):				
Interest expense	906	1,794	4,111	9,618
Impairment charge on securities held for sale	-	-	8,952	-
Other expense (income), net	<u>2,735</u>	<u>(2,822)</u>	<u>733</u>	<u>(3,881)</u>
Income before income taxes	65,822	56,041	151,174	177,062
Provision for Income Taxes	<u>21,912</u>	<u>19,801</u>	<u>50,157</u>	<u>59,667</u>
Net Income	<u>\$ 43,910</u>	<u>\$ 36,240</u>	<u>\$ 101,017</u>	<u>\$ 117,395</u>
Basic Net Income per share	<u>\$ 1.35</u>	<u>\$ 1.13</u>	<u>\$ 3.12</u>	<u>\$ 3.58</u>
Diluted Net Income per share	<u>\$ 1.31</u>	<u>\$ 1.11</u>	<u>\$ 3.05</u>	<u>\$ 3.50</u>
Weighted average shares outstanding:				
Basic	32,526	32,112	32,399	32,770
Diluted	33,502	32,661	33,074	33,564

**POLARIS INDUSTRIES INC.  
CONSOLIDATED BALANCE SHEETS**

**Subject to Reclassification  
(In Thousands)**

	<u>December 31, 2009</u> (Unaudited)	<u>December 31, 2008</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 140,240	\$ 27,127
Trade receivables, net	90,405	98,598
Inventories, net	179,315	222,312
Prepaid expenses and other	20,638	14,924
Income taxes receivable	-	4,521
Deferred tax assets	60,902	76,130
Total current assets	<u>491,500</u>	<u>443,612</u>
Property and equipment, net	194,416	215,637
Investments in finance affiliate	41,332	51,565
Investments in manufacturing affiliates	10,536	15,641
Goodwill, net	25,869	24,693
<b>Total Assets</b>	<u>\$ 763,653</u>	<u>\$ 751,148</u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 75,657	\$ 115,986
Accrued expenses:		
Compensation	55,313	56,567
Warranties	25,520	28,631
Sales promotions and incentives	67,055	75,211
Dealer holdback	72,229	80,941
Other	38,748	42,274
Income taxes payable	6,702	3,373
Current liabilities of discontinued operations	1,850	1,850
Total current liabilities	<u>343,074</u>	<u>404,833</u>
Long term income taxes payable	4,988	5,103
Deferred income taxes	11,050	4,185
Borrowings under credit agreement	200,000	200,000
Total liabilities	<u>\$ 559,112</u>	<u>\$ 614,121</u>
<b>Shareholders' Equity:</b>		
Preferred stock \$0.01 par value, 20,000 shares authorized, no shares issued and outstanding	—	—
Common stock \$0.01 par value, 80,000 shares authorized, 32,648 and 32,492 shares issued and outstanding	\$ 326	\$ 325
Additional paid-in capital	—	—
Retained earnings	201,391	140,559
Accumulated other comprehensive income (loss), net	2,824	(3,857)
Total shareholders' equity	<u>\$ 204,541</u>	<u>\$ 137,027</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 763,653</u>	<u>\$ 751,148</u>

**POLARIS INDUSTRIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>Subject to Reclassification (In Thousands) (Unaudited)</b>	<b>For the Years Ended December 31,</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Operating Activities:</b>		
Net income	\$ 101,017	\$ 117,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash impairment charge on securities held for sale	8,952	—
Depreciation and amortization	64,594	66,112
Noncash compensation	10,226	18,558
Noncash income from financial services	(4,021)	(4,604)
Noncash loss from manufacturing affiliates	382	157
Deferred income taxes	22,092	(966)
Changes in current operating items:		
Trade receivables	8,192	(15,714)
Inventories	42,997	(3,970)
Accounts payable	(40,329)	25,941
Accrued expenses	(24,759)	(7,469)
Income taxes payable	7,735	(9,504)
Prepaid expenses and others, net	(3,877)	(9,730)
Net cash provided by continuing operations	193,201	176,206
Net cash flow used for discontinued operations	-	(452)
Net cash provided by operating activities	193,201	175,754
<b>Investing Activities:</b>		
Purchase of property and equipment	(43,932)	(76,575)
Investments in finance affiliate, net	14,254	6,840
Net cash (used for) investing activities	(29,678)	(69,735)
<b>Financing Activities:</b>		
Borrowings under credit agreement	364,000	786,000
Repayments under credit agreement	(364,000)	(786,000)
Repurchase and retirement of common shares	(4,556)	(107,167)
Cash dividends to shareholders	(50,177)	(49,602)
Tax effect of proceeds from stock based compensation exercises	(410)	1,731
Proceeds from stock issuances under employee plans	4,733	12,865
Net cash (used for) financing activities	(50,410)	(142,173)
Net increase (decrease) in cash and cash equivalents	113,113	(36,154)
Cash and cash equivalents at beginning of period	27,127	63,281
Cash and cash equivalents at end of period	<u>\$ 140,240</u>	<u>\$ 27,127</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid on debt borrowings	<u>\$ 3,966</u>	<u>\$ 9,614</u>
Income taxes paid	<u>\$ 29,039</u>	<u>\$ 70,205</u>