

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

	<u>For Three Months</u> <u>Ended June 30,</u>		<u>For Six Months</u> <u>Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Sales	\$ 345,896	\$ 455,686	\$ 657,920	\$ 844,370
Cost of Sales	<u>262,632</u>	<u>347,643</u>	<u>498,222</u>	<u>648,232</u>
Gross profit	83,264	108,043	159,698	196,138
Operating expenses				
Selling and marketing	28,702	35,188	56,030	64,358
Research and development	15,222	20,236	31,822	39,493
General and administrative	<u>16,235</u>	<u>17,108</u>	<u>30,354</u>	<u>33,031</u>
Total operating expenses	60,159	72,532	118,206	136,882
Income from financial services	<u>3,966</u>	<u>5,243</u>	<u>8,370</u>	<u>12,733</u>
Operating Income	27,071	40,754	49,862	71,989
Non-operating Expense (Income):				
Interest expense	1,095	2,482	2,146	5,207
Impairment charge on securities held for sale	-	-	8,952	-
Other expense (income), net	<u>(677)</u>	<u>154</u>	<u>(680)</u>	<u>(909)</u>
Income before income taxes	26,653	38,118	39,444	67,691
Provision for Income Taxes	<u>9,175</u>	<u>13,738</u>	<u>13,508</u>	<u>24,228</u>
Net Income	<u>\$ 17,478</u>	<u>\$ 24,380</u>	<u>\$ 25,936</u>	<u>\$ 43,463</u>
Basic Net Income per share	<u>\$ 0.54</u>	<u>\$ 0.74</u>	<u>\$ 0.80</u>	<u>\$ 1.31</u>
Diluted Net Income per share	<u>\$ 0.53</u>	<u>\$ 0.72</u>	<u>\$ 0.79</u>	<u>\$ 1.27</u>
Weighted average shares outstanding:				
Basic	32,381	32,882	32,324	33,292
Diluted	32,990	33,785	32,775	34,159

**POLARIS INDUSTRIES INC.  
CONSOLIDATED BALANCE SHEETS**

<b>Subject to Reclassification (In Thousands)</b>	<b>June 30, 2009 (Unaudited)</b>	<b>June 30, 2008 (Unaudited)</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 30,036	\$ 21,909
Trade receivables, net	54,027	73,014
Inventories, net	219,645	278,396
Prepaid expenses and other	20,272	18,149
Deferred tax assets	<u>76,042</u>	<u>68,769</u>
Total current assets	400,022	460,237
Property and equipment, net	212,103	215,274
Investments in finance affiliate	43,352	45,987
Investments in manufacturing affiliates	10,656	32,330
Deferred tax assets	-	6,363
Goodwill, net	<u>25,105</u>	<u>26,190</u>
<b>Total Assets</b>	<b><u>\$ 691,238</u></b>	<b><u>\$ 786,381</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 57,313	\$ 102,299
Accrued expenses:		
Compensation	30,016	40,821
Warranties	25,372	26,059
Sales promotions and incentives	64,497	80,291
Dealer holdback	53,698	72,633
Other	35,522	32,789
Income taxes payable	15,321	22,673
Current liabilities of discontinued operations	<u>1,850</u>	<u>2,242</u>
Total current liabilities	283,589	379,807
Long term income taxes payable	5,106	7,615
Deferred income taxes	3,102	-
Borrowings under credit agreement	<u>250,000</u>	<u>261,000</u>
Total liabilities	<b><u>\$ 541,797</u></b>	<b><u>\$ 648,422</u></b>
<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, 32,617 and 32,667 shares issued and outstanding	\$ 326	\$ 327
Additional paid-in capital	—	—
Retained earnings	147,751	103,459
Accumulated other comprehensive income, net	<u>1,364</u>	<u>34,173</u>
Total shareholders' equity	<b><u>\$ 149,441</u></b>	<b><u>\$ 137,959</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$ 691,238</u></b>	<b><u>\$ 786,381</u></b>

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

<b>Subject to Reclassification (In Thousands) (Unaudited)</b>	<b>For Six Months Ended June 30,</b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Operating Activities:</b>		
Net income	\$ 25,936	\$ 43,463
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	28,658	27,098
Noncash compensation	4,753	9,880
Noncash income from financial services	(2,071)	(2,303)
Noncash (income)/loss from manufacturing affiliates	196	(33)
Deferred income taxes	(997)	(4,153)
Changes in current operating items:		
Trade receivables	44,571	9,870
Inventories	2,667	(60,054)
Accounts payable	(58,673)	12,254
Accrued expenses	(74,519)	(38,501)
Income taxes payable	16,472	16,829
Prepaid expenses and others, net	(4,642)	7,454
Net cash (used for) provided by continuing operations	(8,697)	21,804
Net cash flow (used for) discontinued operations	-	(60)
Net cash (used for) provided by operating activities	(8,697)	21,744
<b>Investing Activities:</b>		
Purchase of property and equipment	(25,183)	(37,570)
Investments in finance affiliate, net	10,284	10,116
Net cash (used for) investing activities	(14,899)	(27,454)
<b>Financing Activities:</b>		
Borrowings under credit agreement	268,000	334,000
Repayments under credit agreement	(218,000)	(273,000)
Repurchase and retirement of common shares	(282)	(85,854)
Cash dividends to shareholders	(24,993)	(25,221)
Tax effect of proceeds from stock based compensation exercises	(427)	2,776
Proceeds from stock issuances under employee plans	2,207	11,637
Net cash provided by (used for) financing activities	26,505	(35,662)
Net increase (decrease) in cash and cash equivalents	2,909	(41,372)
Cash and cash equivalents at beginning of period	27,127	63,281
Cash and cash equivalents at end of period	\$ 30,036	\$ 21,909