

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

	For Three Months	
	Ended March 31,	
	<u>2010</u>	<u>2009</u>
Sales	\$ 361,708	\$ 312,024
Cost of Sales	<u>266,794</u>	<u>235,590</u>
Gross profit	94,914	76,434
Operating expenses		
Selling and marketing	30,098	27,328
Research and development	18,738	16,600
General and administrative	<u>18,398</u>	<u>14,119</u>
Total operating expenses	67,234	58,047
Income from financial services	<u>4,256</u>	<u>4,404</u>
Operating Income	31,936	22,791
Non-operating Expense (Income):		
Interest expense	699	1,051
Impairment charge on securities held for sale	-	8,952
Other expense (income), net	<u>180</u>	<u>(3)</u>
Income before income taxes	31,057	12,791
Provision for Income Taxes	<u>11,286</u>	<u>4,333</u>
Net Income	<u>\$ 19,771</u>	<u>\$ 8,458</u>
Basic Net Income per share	<u>\$ 0.60</u>	<u>\$ 0.26</u>
Diluted Net Income per share	<u>\$ 0.59</u>	<u>\$ 0.26</u>
Weighted average shares outstanding:		
Basic	33,069	32,266
Diluted	33,750	32,559

POLARIS INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

Subject to Reclassification
(In Thousands)

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 124,395	\$ 17,895
Trade receivables, net	91,335	57,581
Inventories, net	180,316	245,600
Prepaid expenses and other	18,682	12,503
Income taxes receivable	-	4,278
Deferred income taxes	61,667	75,894
Total current assets	476,395	413,751
Property and equipment, net	189,433	214,298
Investments in finance affiliate	37,422	47,741
Investments in manufacturing affiliates	9,792	11,466
Goodwill and intangible assets, net	27,890	24,540
Total Assets	\$ 740,932	\$ 711,796
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 89,722	\$ 104,823
Accrued expenses:		
Compensation	39,190	22,083
Warranties	22,344	24,244
Sales promotions and incentives	65,805	72,263
Dealer holdback	48,068	53,666
Other	38,800	36,919
Income taxes payable	3,562	7,377
Current liabilities of discontinued operations	1,850	1,850
Total current liabilities	309,341	323,225
Long term income taxes payable	5,087	4,938
Deferred income taxes	14,143	1,966
Borrowings under credit agreement	200,000	244,000
Total liabilities	528,571	574,129
Shareholders' Equity:		
Total shareholders' equity	212,361	137,667
Total Liabilities and Shareholders' Equity	\$ 740,932	\$ 711,796

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

Subject to Reclassification (In Thousands) (Unaudited)	For the Three Months Ended March 31,	
	<u>2010</u>	<u>2009</u>
Operating Activities:		
Net income	\$ 19,771	\$ 8,458
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Noncash impairment charge on securities held for sale	—	8,952
Depreciation and amortization	16,037	15,089
Noncash compensation	3,559	2,334
Noncash income from financial services	(1,204)	(1,135)
Noncash loss from manufacturing affiliates	643	63
Deferred income taxes	2,466	(1,984)
Changes in current operating items:		
Trade receivables	(930)	41,017
Inventories	(1,001)	(23,288)
Accounts payable	14,065	(11,163)
Accrued expenses	(44,658)	(74,449)
Income taxes payable/receivable	(3,041)	4,082
Prepaid expenses and others, net	(1,901)	(1,093)
Net cash provided by continuing operations	3,806	(33,117)
Net cash flow used for discontinued operations	-	-
Net cash provided by (used for) operating activities	3,806	(33,117)
Investing Activities:		
Purchase of property and equipment	(8,126)	(13,666)
Investments in finance affiliate, net	5,114	4,960
Acquisition of business, net of cash acquired	(2,500)	-
Net cash (used for) investing activities	(5,512)	(8,706)
Financing Activities:		
Borrowings under credit agreement	-	152,000
Repayments under credit agreement	-	(108,000)
Repurchase and retirement of common shares	(27,166)	(282)
Cash dividends to shareholders	(13,096)	(12,424)
Proceeds from stock issuances under employee plans	22,125	1,691
Tax effect of proceeds from stock based compensation exercises	3,998	(394)
Net cash (used for) provided by financing activities	(14,139)	32,591
Net decrease in cash and cash equivalents	(15,845)	(9,232)
Cash and cash equivalents at beginning of period	140,240	27,127
Cash and cash equivalents at end of period	\$ 124,395	\$ 17,895