

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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Sales	\$ 430,907	\$ 345,896	\$ 792,615	\$ 657,920
Cost of Sales	<u>317,823</u>	<u>262,632</u>	<u>584,617</u>	<u>498,222</u>
Gross profit	113,084	83,264	207,998	159,698
Operating expenses				
Selling and marketing	34,164	28,702	64,262	56,030
Research and development	18,512	15,222	37,250	31,822
General and administrative	<u>21,710</u>	<u>16,235</u>	<u>40,108</u>	<u>30,354</u>
Total operating expenses	74,386	60,159	141,620	118,206
Income from financial services	<u>4,245</u>	<u>3,966</u>	<u>8,501</u>	<u>8,370</u>
Operating Income	42,943	27,071	74,879	49,862
Non-operating Expense (Income):				
Interest expense	729	1,095	1,428	2,146
Impairment charge on securities held for sale	769	-	769	8,952
Other expense (income), net	<u>2,318</u>	<u>(677)</u>	<u>2,498</u>	<u>(680)</u>
Income before income taxes	39,127	26,653	70,184	39,444
Provision for Income Taxes	<u>13,503</u>	<u>9,175</u>	<u>24,789</u>	<u>13,508</u>
Net Income	<u>\$ 25,624</u>	<u>\$ 17,478</u>	<u>\$ 45,395</u>	<u>\$ 25,936</u>
Basic Net Income per share	<u>\$ 0.77</u>	<u>\$ 0.54</u>	<u>\$ 1.37</u>	<u>\$ 0.80</u>
Diluted Net Income per share	<u>\$ 0.75</u>	<u>\$ 0.53</u>	<u>\$ 1.34</u>	<u>\$ 0.79</u>
Weighted average shares outstanding:				
Basic	33,255	32,381	33,162	32,324
Diluted	34,248	32,990	33,999	32,775

**POLARIS INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS**

Subject to Reclassification (In Thousands)	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 166,272	\$ 30,036
Trade receivables, net	96,638	54,027
Inventories, net	222,608	219,645
Prepaid expenses and other	22,483	20,272
Deferred tax assets	<u>59,838</u>	<u>76,042</u>
Total current assets	567,839	400,022
Property and equipment, net	184,572	212,103
Investments in finance affiliate	31,857	43,352
Investments in manufacturing affiliates	9,461	10,656
Goodwill and intangible assets, net	<u>27,579</u>	<u>25,105</u>
Total Assets	<u>\$ 821,308</u>	<u>\$ 691,238</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 102,037	\$ 57,313
Accrued expenses:		
Compensation	56,699	30,016
Warranties	24,661	25,372
Sales promotions and incentives	66,297	64,497
Dealer holdback	65,092	53,698
Other	41,418	35,522
Income taxes payable	4,099	15,321
Current liabilities of discontinued operations	<u>1,850</u>	<u>1,850</u>
Total current liabilities	362,153	283,589
Long term income taxes payable	5,659	5,106
Deferred income taxes	13,698	3,102
Borrowings under credit agreement	<u>200,000</u>	<u>250,000</u>
Total liabilities	581,510	541,797
Shareholders' Equity:		
Total shareholders' equity	<u>239,798</u>	<u>149,441</u>
Total Liabilities and Shareholders' Equity	<u>\$ 821,308</u>	<u>\$ 691,238</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Subject to Reclassification (In Thousands) (Unaudited)	For Six Months Ended June 30, <u>2010</u> <u>2009</u>	
Operating Activities:		
Net income	\$ 45,395	\$ 25,936
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Noncash impairment charge on securities held for sale	769	8,952
Depreciation and amortization	31,562	28,658
Noncash compensation	9,321	4,753
Noncash (income) from financial services	(2,293)	(2,071)
Noncash loss from manufacturing affiliates	918	196
Deferred income taxes	3,769	(997)
Changes in current operating items:		
Trade receivables	(6,233)	44,571
Inventories	(43,293)	2,667
Accounts payable	26,380	(58,673)
Accrued expenses	(4,698)	(74,519)
Income taxes payable	(1,932)	16,472
Prepaid expenses and others, net	<u>(2,683)</u>	<u>(4,642)</u>
Net cash provided by (used for) operating activities	56,982	(8,697)
Investing Activities:		
Purchase of property and equipment	(20,925)	(25,183)
Investments in finance affiliate, net	11,768	10,284
Acquisition of business, net of cash acquired	<u>(2,500)</u>	<u>-</u>
Net cash (used for) investing activities	(11,657)	(14,899)
Financing Activities:		
Borrowings under credit agreement	-	268,000
Repayments under credit agreement	-	(218,000)
Repurchase and retirement of common shares	(27,398)	(282)
Cash dividends to shareholders	(26,289)	(24,993)
Tax effect of proceeds from stock based compensation exercises	4,407	(427)
Proceeds from stock issuances under employee plans	<u>29,987</u>	<u>2,207</u>
Net cas (used for) provided by financing activities	<u>(19,293)</u>	<u>26,505</u>
Net increase in cash and cash equivalents	26,032	2,909
Cash and cash equivalents at beginning of period	<u>140,240</u>	<u>27,127</u>
Cash and cash equivalents at end of period	<u>\$ 166,272</u>	<u>\$ 30,036</u>