POLARIS FINANCIAL OBJECTIVES FOR 2009

The Goals

$2.2 billion in sales by 2009
$150 million in net income by 2009
$4.25 earnings per share by 2009

The Strategies

1. Win in the Core
   • Grow market share in snowmobiles and ATVs.
   • Leverage PG&A and financial services to deliver superior total value.

2. Deliver Operational Excellence
   • Industry-leading quality in every product line.
   • Greater than 5 percent productivity gains every year.
   • A lean enterprise, driven by robust, simple designs and a lean supply chain.

3. Grow by $500 million by 2009
   • Victory®: Obtain 5 percent market share in cruiser and touring segments.
   • RANGER™: Dominate utility and recreational side-by-side market.
   • International: Expand global presence.
   • Expand military opportunity.
   • Enter at least one new adjacent market segment.

Supported by...

People and Culture
• Externally focused employee owners with a can-do drive to consistently deliver outstanding results.
• The best team in powersports.
• Passion to ride and win.

Technology
• Consistent, flawless introduction of compelling new products.
• Class-leading ride and handling.
• Control our destiny in powertrains.
• Class-leading information technology.

Brand
• Ever-improving brand awareness and image through stronger, better and bigger dealer network.
• Consistent advertising and brand support.

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**FINANCIAL HIGHLIGHTS**

**PER SHARE**

- Return on average shareholder equity
- Borrowings under credit agreement
- Depreciation and amortization
- Average dividend yield
- Capital expenditures
- Property and equipment (net)

**OTHER HIGHLIGHTS**

- Stockholders’ equity
- Average shares outstanding (diluted)
- Net income from continuing operations (diluted)
- Number of employees – average

**Fiscal Year-End High/Low**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>$0.34</td>
<td>$0.31</td>
</tr>
<tr>
<td>Second</td>
<td>$0.31</td>
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</tr>
<tr>
<td>Third</td>
<td>$0.31</td>
<td>$0.31</td>
</tr>
<tr>
<td>Fourth</td>
<td>$0.09</td>
<td>$0.32</td>
</tr>
</tbody>
</table>

**DISTRIBUTION**

- Total assets
- Stockholders’ equity

**DISTRIBUTION BY GEOGRAPHIC AREA**

- Continental U.S.
- Mexico
- Canada

**Other**

- Research & Development
- Factory/Manufacturing
- Marketing & Sales
- Product Development
- Corporate Center
- Aftermarket

**RESEARCH & DEVELOPMENT**

- Product development and manufacturing
- Market research and testing
- Marketing and sales

**FACTS & FIGURES**

- New product introductions and, more importantly,
- New product introductions are the lifeblood of the Company. In 2005, the Company
- New for 2007

**MANUFACTURING/DEVELOPMENT**

- New product introductions are the lifeblood
- Opened a $35 million state-of-the-art
- Polaris designs, tests and assembles its
- Designed, manufactures and sells innovative, high-quality, high-performance
- The meeting will be held at 9 a.m. CST
- Shares of common stock of

**CASH DIVIDENDS DECLARED**

- Cash dividends are declared quarterly
- Dividend Reinvestment Plan
- The meeting will be held at 9 a.m. CST
- Shares of common stock of

**SHAREHOLDER INFORMATION**

- Shareholders of record at the close of

**DISTRIBUTION BY SUBSIDIARY**

- Polaris Industries Inc.
- Polaris U.S.
- Polaris Canada

**AS OF FEBRUARY 2008**

- **INVESTOR RELATIONS**
- **STOCK EXCHANGE**

- **WEBSITE**

- **CONTACTS**

- **SMALL CAPS**
FOR THE YEAR

In 1998, Polaris entered into a settlement agreement related to a trade secret infringement claim brought by Injection 2007 (dollars and shares in thousands, except per-share data)

PER SHARE

Return on average shareholder equity

6.8%

63,747

Property and equipment (net)

52,636

Total assets

3,400

Net income from continuing operations

21%

Operating income

3,574

Operating income (non-GAAP)

10%

Research Specialists, Inc. The one-time provision for litigation loss of $61.4 million pretax, or $0.77 per diluted share, 2005

All periods presented reflect the classification of the marine products division's financial results, including the

Stockholders' equity

1.48

Net income

3,400

Total equity

$ 3.10

Finance charges

1.36

Net income attributable to Polaris Industries Inc.

First

2.28

Year ended December 31,

Second

2.97

2007

Third

2.9

Fourth

2.68

2006

2005

2004

2003

2002

2001

2000

1999

2007 Financial Services

Polaris has no credit, interest rate or other arrangement totaled $45 million. From the Company’s financial services

customers of Polaris dealers in the United States. Polaris has a 50/50 joint venture with GE Consumer

Finance Bank, which is a subsidiary of General Electric Company. The joint venture is named Polaris

Consumer Financial Services, Inc. (PCFS). Polaris also offers limited interest rate protection agreements

on certain retail installment sales contracts. These agreements are accounted for as fully amortized, non-interest

bearing receivables. The carrying value of the receivables that include these agreements is not materially different

than their amortized cost. As of December 31, 2007, such receivables amounted to $1.4 million and as of December

31, 2006, such receivables amounted to $1 million.

The Company may determine that a retail installment sales contract is impaired when lower of cost or market

value is less than estimated future cash flows. The loan loss provision is charged to earnings in the period the

impairment is identified. As of December 31, 2007, the Company’s allowance for loan losses was $1.4 million and

as of December 31, 2006, such allowance was $0.6 million. The average age of the Company’s retail installment

sales contracts was 17 months as of December 31, 2007.

The Company has not experienced any significant losses from non-performing or delinquent retail installment

sales contracts in recent years. The Company monitors the retail installment sales contracts for possible

losses through monitoring the age of the portfolio and following up on specific delinquencies.

2007 and 2006

Minnesota, which will continue to drive new

products introduced each year.

New product introductions are the lifeblood

itself in being close to the customer and

help improve the success rate of those new

products introduced each year.

Polaris designs, tests and assembles its

MANUFACTURING/ DISTRIBUTION

MANUFACTURING/ DISTRIBUTION

Manufacturing and distribution operations are located in the United States and Canada, and in several countries

outside of North America.

PRODUCT DESCRIPTIONS / RESEARCH & DEVELOPMENT

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Dear Fellow Shareholders:

A year ago, Polaris developed an ambitious three-year plan for getting back to great. Investors were understandably skeptical. Our 2006 performance was disappointing. And 2007 looked bleak: The housing market crashed. The economy was slow. Durable goods were hit hard and discretionary goods even harder.

But we made the tough decisions and took bold actions. We reduced inventory at the dealer and factory levels and streamlined operations well before competitors. We did this while continuing to introduce revolutionary new products like the RANGER RZR and Victory Vision, and gained market share in every business, both domestically and internationally.

As a result, we delivered a strong 2007 and got the company back on track. Here’s a quick recap of 2007:

• Sales increased by 7 percent to $1.78 billion.
• Earnings per share from continuing operations increased 14 percent to $3.10 per diluted share.
• Gross margins increased by 40 basis points to 22.1 percent.
• We won the competitive battle in 2007. We gained market share in every business we compete in—both in North America and internationally.
• Dealer inventories are at much lower levels today than a year ago.
• We grew aggressively in our side-by-side business, particularly with the introduction of the new RANGER RZR, and made good progress in further developing our military business.
• Our snowmobile business is on the road to recovery. We grew sales 14 percent in 2007 and gained market share for the calendar year.
• The accelerated share repurchase transaction executed in December 2006, together with the 1.9 million shares repurchased during 2007, have resulted in a 12 percent reduction in average diluted shares outstanding in 2007.
• Our total annual return to shareholders was 5 percent. Over the past five years, our total return to shareholders has been 83 percent.

As in most years, there were some things that did not go well in 2007:

• We expected the overall North American core ATV market environment to remain challenging in 2007, and that was the case. But it was even tougher than we expected, declining 13 percent for the full year.
• Even more unexpected was the decline of the U.S. motorcycle industry. It had grown consistently for 16 years, but the cruiser and touring markets combined declined 5 percent in 2007. The slowdown in the motorcycle industry negatively impacted the cruiser side of our motorcycle business, so we reduced cruiser production to maintain a balance of supply and demand. However, we continue to be excited about our Victory motorcycle business, and particularly the luxury touring segment we entered in 2007 with the all-new Victory Vision.
• We did not anticipate the significant decline in our financial services income during the second half of 2007. This was due to our revolving retail credit provider, HSBC, no longer financing non-Polaris products at our dealerships beginning July 2007.

A LETTER FROM THE CEO AND COO

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In 2007, we challenged ourselves to get the company back on track, and we did. 2008 will have its own set of challenges to navigate, but we have generated momentum in 2007 that will carry into 2008.

**MOMENTUM FOR 2008**

How was our 2007 momentum achieved—in an environment that punished just about everyone else? We did it by successfully executing on the plan we laid out over a year ago (highlighted on the facing page). In 2008, expected to be an even tougher economic environment, we will take the Company to the next level of performance. To deliver on that objective, we will continue to execute on the strategies outlined below, as we did in 2007. But in 2008, we are starting from a stronger position:

1. **WIN IN THE CORE**

In a declining market, we know we simply have to fight harder for our fair share, and we are. In 2007, we gained market share in our core ATV and snowmobile markets. We balanced supply and demand by reducing inventories, we sharpened our pricing, and we got much more aggressive with advertising and sales promotions.

On top of that, we continued the Polaris legacy of introducing innovative new products like the value-priced ATV Sportsman 400 and 500 HQ; the high-performance 800 CFI RMK Dragon, which was named “the number one mountain sled” by SnoWest magazine; and the potent, value-priced IQ Shift snowmobile. As a result, many of our dealers are healthier today in a tough economic environment.

We expect to continue the momentum in our core businesses in 2008 by:

- Further reducing dealer inventory in core ATVs, given the continued slow ATV industry environment
- Achieving industry-leading quality in ATVs and snowmobiles
- Growing market share
- Achieving the financial targets we have set in our core businesses

2. **DELIVER OPERATIONAL EXCELLENCE**

We began to deliver on our Operational Excellence initiative in 2007. Operational excellence at Polaris is centered on meeting and exceeding our end customer’s needs better than anyone in our industry. In other words, to become the “Toyota of the Powersports business.” There are three areas of focus—quality, cost and speed.

**Quality:** For 2007, our quality improved significantly. Our net promoter score—a measurement of the customer’s positive word of mouth—improved by over 10 percent, and our two key new product introductions, the RANGER RZR and the Victory Vision, both had outstanding net promoter scores.

**Costs:** Our system-wide cost and investments declined by 3 percent in 2007, fueled by reductions in dealer and factory inventory, cost reductions in products and tooling, and more efficient capital allocation. Our gross margins expanded and productivity improved. That system-wide cost reduction also benefited our supplier and dealer partners.

ATVs, snowmobiles and their related parts, garments and accessories continue to be good businesses for Polaris, even in a tough economic environment. We are one of the top three global players in both ATVs and snowmobiles. Innovative product introductions continue to be our competitive advantage in each category, including the two new model year 2008 products shown here.

The ride on a new Sportsman Touring 800 EFI is the most comfortable trip two people can have on an ATV. Key features include rolled independent rear suspension, active descent control, engine-breaking system, adjustable-height vibration-isolating footrest, ultra-comfortable seat and backrest, and multi-position passenger handholds.

The new 800 CFI RMK Dragon is one of our lightest, more powerful snowmobiles, weighing in at 487 pounds. Key features include more power, with the new Liberty® 800 CleanFire Injection® engine delivering 154 horsepower to the ground, series 5.1 track with 2.4-inch lugs in three track sizes, and a new freestyle seat to improve ergonomics.

Our PG&A business offers high-quality Pure Polaris™ parts and over 5,000 garments and accessories to make the experience with the product even better. An example of state-of-the-art innovation is the Freedom™ Cab System, which features doors that swing back flush to the rear of the RANGER, greater visibility, and automotive fit and finish (pictured at right).
RANGER XP™ with the Freedom Cab System installed
A LETTER FROM THE CEO AND COO (CONT.)

**Speed:** We got faster in 2007 as well — over 15 percent faster to our consumers by eliminating waste and unnecessary steps. The speed improvements came in a number of important areas, including the new product development cycle, logistics, factory and dealer inventory, and the quality feedback loop. A tangible example of this improvement in speed was visible with the introduction of the new RANGER Crew, which was brought to market in the fourth quarter of 2007. This project was done several months faster than would have been the case even a year ago. Speed will become a competitive weapon for Polaris.

For 2008, we expect to improve even more. Quality, as measured by our customers, should improve by more than 10 percent, our system-wide costs should go down by at least 5 percent, and we should improve our speed by another 15 percent. We are more confident than ever that the Operational Excellence initiative will, over time, transform our competitive position.

**3. GROW THE COMPANY**

In year one of our plan, we delivered over $200 million in additional sales in our growth businesses, putting us on track toward reaching our 2009 goal of $500 million in incremental sales. Here’s how we’re achieving it:

**Victory:** The New American Motorcycle® had another strong year, with retail sales growing at 10 percent while the overall cruiser and touring markets declined. This was our fourth consecutive year of market share growth. In 2007, we introduced two new models targeting the attractive and growing luxury touring motorcycle segment: the Victory Vision Street and Victory Vision Tour. These new models are designed to deliver what touring riders told us most influences their buying decision: forward-looking style and comfort. In 2008 and beyond, we expect to continue to capitalize on our brand positioning as The New American Motorcycle company with these and other new, innovative products.

**RANGER:** The side-by-side market is the fastest-growing category in powersports today, and our goal is to dominate in this business. Polaris significantly outperformed the market in 2007 with industry-leading products. The Polaris RANGER, the hardest working, smoothest riding side-by-side, is a leader in its class, and our new RANGER Crew six-passenger people mover, introduced in the fourth quarter of 2007, continues the RANGER legacy. The RANGER RZR is the most successful product we have introduced in the last decade. It is the lightest side-by-side vehicle, and at 50 inches wide, RANGER RZR is the only trail-capable side-by-side vehicle in its class. It’s built with a patented design that places the engine behind the seat, creating the lowest center of gravity of all the sport side-by-sides to give it unmatched off-road responsiveness, speed and safety. The RANGER RZR has far exceeded our initial sales expectations. This is the kind of product some companies only dream about, but it’s the kind of game-changing product Polaris customers have come to expect from us.
2007 ANNUAL REPORT

FIVE

2008 Victory Vision Tour
Military: We invested in a dedicated team with extensive military sales experience and pursued this opportunity aggressively. It is beginning to pay off with our largest military contract to date, $18 million, received during 2007. While our Polaris Defense business is still relatively small, we’re supplying custom products (see details at right) to more than 20 military agencies around the world, and we expect to continue to see rapid growth for the foreseeable future.

International: In the next 10 years, we want to transition from being a North American company with a small international presence to a truly global company. This year, we took another key step in that direction by moving international leadership out of our corporate headquarters and closer to our international markets. We promoted one of our talented employees to be our first non-U.S. international general manager, and assigned key non-U.S. regional managers. We also launched a subsidiary in Germany, Europe’s third-largest ATV market. These changes will continue to drive an already successful international business. Our teams and products are strong, and in 2007, we gained market share in Europe in both ATVs and snowmobiles, while total international sales grew 11 percent. With the RANGER RZR being launched in these markets in 2008, we’re confident in our aggressive international sales projections.

Additional Adjacent Markets: While we are not yet ready to disclose our next adjacency, we have identified, selected and dedicated internal resources to this new opportunity. The following areas demonstrate the kinds of opportunities we are exploring for the company for future growth: more global, more products designed for on-road use, and more products or distribution opportunities outside the powersports industry.

In summary, we’re proud of our performance in 2007. We got the company back on track and gained momentum. 2008 is expected to be even better than 2007. Our focus for 2008 remains consistent: Win in the core, deliver operational excellence, and grow our business. We’ll continue to deliver game-changing products, dominate the fast-growing side-by-side vehicle market, and begin to transform our core businesses through operational excellence. Finally, we will continue to explore adjacent long-term market opportunities that will diversify us into a more global and more on-road company with a reach that extends beyond powersports.

We remain committed to our 2009 goals, but rest assured there are no rose-colored glasses at Polaris. We know the journey won’t be easy. We expect that our markets and the economy will continue to get tougher in the short term, so we’ll have to work harder and execute better. But our vision is clear, our focus is unmatched, and our 3,200 employee-owners are committed to being the very best in the industry.

Thomas C. Tiller  
Chief Executive Officer

Bennett J. Morgan  
President and Chief Operating Officer
A LETTER FROM THE CHAIRMAN

Dear Shareholders,

Two of the Board’s most important priorities are shaping Polaris’ growth strategy, and leadership development and succession planning. We have spent a considerable amount of time over the years thinking about each of these. In fact, this past summer, management and the Board conducted a strategic session covering the next 10 years, looking at the industry, worldwide trends and economic factors.

After much deliberation, discussion and analysis, we came away feeling that the current strategic direction for our existing businesses is on target: winning in our core businesses (ATVs and snowmobiles) and growing in our current growth businesses (Victory, RANGER, international and military).

However, we feel we must also look beyond our current product and customer sets to remain a successful company in the future. We believe the key to Polaris’ longer-term success will be to expand globally, expand the on-road business, and continue to expand our presence in businesses outside of powersports, such as the military.

If we are successful in accomplishing these strategic objectives, we will be a much bigger and more profitable company, perhaps approaching $5 billion in sales in 10 years.

The Board is confident Polaris can successfully adapt to these longer-term objectives because our management team is deep and our product development pipeline is strong. The $35 million we invested in the Wyoming R&D center a few years ago — the largest single facility investment the company has ever made — has proved itself with new products like the RANGER RZR and Victory Vision, two of the most successful products the company has ever made. So the momentum is building, the opportunities are there, and we believe we can make Polaris even more successful in the future.

That leads me to another Board priority, leadership development and succession planning. As many of you have heard by now, CEO Tom Tiller has decided not to extend his contract after 2008. First and foremost, I want to make it clear the Board of Directors is extremely pleased with Polaris’ superb performance in a tough external environment and its overall strategic direction. Tom’s decision to leave Polaris is personal and based on his belief that innovative companies like Polaris need an infusion of fresh ideas every decade or so. It’s not any more complicated than that.

While we are sad to see Tom leave, the Board felt comfortable with his decision because we have a sound succession-planning process in place. We worked for several years to develop a comprehensive plan that ensures we do a thorough search — both internally and externally — for the right person to lead Polaris in its next phase.

Polaris President and COO Bennett Morgan is a strong internal candidate, but we won’t know if he is the best candidate until we have evaluated all the best external candidates. Once we do choose a successor, Tom will remain on the Board for a transitional period to ensure a smooth transition.

I would also like to acknowledge some changes in our Board that occurred in 2007. Rick Zona decided to step down, and we thank him for his many years of service and oversight on the Board. We also welcomed a new Board member in 2007, John Wiehoff, CEO of C.H. Robinson, a global provider of multimodal transportation services and logistics solutions. John’s skills complement the many and varied talents we have on the Board, and his contribution will be valuable as Polaris pursues a more global future.

So, in the short term, it’s business as usual at Polaris — working toward the 2009 goals outlined in Tom and Bennett’s letter, while at the same time positioning the company for success longer term. Our 10-year plan is achievable, with sensible investments and good execution. As a Board, we are very excited about the future of Polaris.

Gregory R. Palen – Chairman

EIGHT POLARIS INDUSTRIES INC.
In 2007, we intended to get the business back on track, and we accomplished our goal. Sales grew 7 percent, and net income from continuing operations per diluted share increased 14 percent. Gross margins expanded, and all businesses increased market share. Additionally, we launched two important products in 2007, the RANGER RZR and Victory Vision, both with leading-edge technology and design in their respective classes.

**THE SCORECARD**

In January 2008, Polaris announced a 12% increase in the regular quarterly dividend, the 13th straight year of increases, to $1.52 per share.

**NOTE:** All periods presented reflect the classification of the marine products division’s financial results, including the loss from discontinued operations and the loss on disposal of the division, as discontinued operations.

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(2) A reconciliation of the Company’s calculation of Cash Flow Provided from Continuing Operations to the most directly comparable cash flow measure, as required by Regulation G, appears on page 11 of this Annual Report.
### 11-Year Selected Financial Data

The selected financial data presented below is qualified in its entirety by, and should be read in conjunction with, the Consolidated Financial Statements and Notes thereto and other financial and statistical information, including the information referenced under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” located in the Form 10-K included in this report.

Prior years' results have been adjusted to reflect the adoption in 2006 of SFAS 123(R) under the modified retrospective method.

<table>
<thead>
<tr>
<th>For the Years Ended December 31,</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATEMENT OF OPERATIONS DATA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales</td>
<td>$1,780,009</td>
<td>$1,656,518</td>
<td>$1,869,819</td>
<td>$1,773,206</td>
</tr>
<tr>
<td>Percent change from prior year</td>
<td>7%</td>
<td>(11%)</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Sales mix by product:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-terrain vehicles</td>
<td>67%</td>
<td>67%</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Snowmobiles</td>
<td>10%</td>
<td>10%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Parts, garments &amp; accessories</td>
<td>17%</td>
<td>16%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Gross profit data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross profit</td>
<td>$393,020</td>
<td>$359,359</td>
<td>$411,032</td>
<td>$416,600</td>
</tr>
<tr>
<td>Percent of sales</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Operating expense data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$262,269</td>
<td>$238,363</td>
<td>$244,660</td>
<td>$242,690</td>
</tr>
<tr>
<td>Percent of sales</td>
<td>15%</td>
<td>14%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Net income data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income from continuing operations</td>
<td>$112,598</td>
<td>$112,791</td>
<td>$137,721</td>
<td>$132,257</td>
</tr>
<tr>
<td>Diluted net income per share from continuing operations</td>
<td>$3.10</td>
<td>$2.72</td>
<td>$3.15</td>
<td>$2.97</td>
</tr>
<tr>
<td>Net income</td>
<td>$111,650</td>
<td>$106,985</td>
<td>$136,714</td>
<td>$99,948</td>
</tr>
<tr>
<td>Diluted net income per share</td>
<td>$3.07</td>
<td>$2.58</td>
<td>$3.12</td>
<td>$2.25</td>
</tr>
<tr>
<td><strong>CASH FLOW DATA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from continuing operating activities</td>
<td>$213,166</td>
<td>$152,754</td>
<td>$162,463</td>
<td>$237,061</td>
</tr>
<tr>
<td>Purchase of property and equipment for continuing operations</td>
<td>63,747</td>
<td>52,636</td>
<td>89,770</td>
<td>88,836</td>
</tr>
<tr>
<td>Repurchase and retirement of common stock</td>
<td>103,100</td>
<td>307,621</td>
<td>132,280</td>
<td>66,830</td>
</tr>
<tr>
<td>Cash dividends to shareholders</td>
<td>47,739</td>
<td>50,234</td>
<td>46,956</td>
<td>38,856</td>
</tr>
<tr>
<td>Cash dividends per share</td>
<td>$1.36</td>
<td>$1.24</td>
<td>$1.12</td>
<td>$0.92</td>
</tr>
<tr>
<td><strong>BALANCE SHEET DATA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(at end of year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$63,281</td>
<td>$19,566</td>
<td>$19,675</td>
<td>$138,469</td>
</tr>
<tr>
<td>Current assets</td>
<td>447,556</td>
<td>392,961</td>
<td>373,988</td>
<td>465,655</td>
</tr>
<tr>
<td>Total assets</td>
<td>769,881</td>
<td>778,791</td>
<td>770,633</td>
<td>792,925</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>388,246</td>
<td>361,420</td>
<td>375,614</td>
<td>405,193</td>
</tr>
<tr>
<td>Borrowings under credit agreements</td>
<td>200,000</td>
<td>250,000</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>172,982</td>
<td>167,371</td>
<td>377,019</td>
<td>368,058</td>
</tr>
</tbody>
</table>

**NOTE:** All periods presented reflect the classification of the marine products division’s financial results, including the loss from discontinued operations and the loss on disposal of the division, as discontinued operations.

(1) In 1998, Polaris entered into a settlement agreement related to a trade secret infringement claim brought by Injection Research Specialists, Inc. The one-time provision for litigation loss amounted to $61.4 million pretax, or $0.77 per diluted share in 1998. The settlement had no effect on the future operations of the Company. Excluding this charge, other operating expenses, net income and diluted net income per share from continuing operations for 1998 would have been $98.0 million, $76.7 million and $1.48 per share, respectively.
<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow Provided</th>
<th>Deferred Income Taxes</th>
<th>Changes in Current Operating Items</th>
<th>One-time Provision for Litigation Loss, Net</th>
<th>Net Cash Provided by Operating Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$109.5</td>
<td>$4.4</td>
<td>$50.4</td>
<td>$(39.6)</td>
<td>$124.7</td>
</tr>
<tr>
<td>1999</td>
<td>119.8</td>
<td>2.8</td>
<td>11.9</td>
<td>—</td>
<td>134.5</td>
</tr>
<tr>
<td>2000</td>
<td>129.7</td>
<td>1.3</td>
<td>(25.9)</td>
<td>—</td>
<td>105.1</td>
</tr>
<tr>
<td>2001</td>
<td>150.8</td>
<td>(10.6)</td>
<td>51.8</td>
<td>—</td>
<td>192.0</td>
</tr>
<tr>
<td>2002</td>
<td>176.9</td>
<td>4.3</td>
<td>14.6</td>
<td>—</td>
<td>195.8</td>
</tr>
<tr>
<td>2003</td>
<td>179.1</td>
<td>(8.7)</td>
<td>(7.9)</td>
<td>—</td>
<td>162.5</td>
</tr>
<tr>
<td>2004</td>
<td>202.3</td>
<td>(1.5)</td>
<td>36.3</td>
<td>—</td>
<td>237.1</td>
</tr>
<tr>
<td>2005</td>
<td>211.4</td>
<td>1.6</td>
<td>(50.5)</td>
<td>—</td>
<td>162.5</td>
</tr>
<tr>
<td>2006</td>
<td>177.8</td>
<td>1.3</td>
<td>(26.3)</td>
<td>—</td>
<td>152.8</td>
</tr>
<tr>
<td>2007</td>
<td>189.1</td>
<td>(10.3)</td>
<td>34.4</td>
<td>—</td>
<td>213.2</td>
</tr>
</tbody>
</table>
BOARD OF DIRECTORS

THOMAS C. TILLER
Chief Executive Officer
of Polaris Industries Inc.
Committee: Technology

GREGORY R. PALEN
Chairman of the Board
of Polaris Industries Inc.
and Chairman
of Spectro Alloys and
Chief Executive Officer
of Palen/Kimball Company
Committees: Audit, Technology

ANDRIS A. BALTINS
Member of the law firm
of Kaplan, Strangis and
Kaplan, P.A.
Committees: Compensation,
Corporate Governance and
Nominating*

ROBERT L. CAULK
Former Chairman and
Chief Executive Officer
of United Industries
Corporation
Committee: Compensation

ANNETTE K. CLAYTON
Vice President of Operations
for the Americas,
Dell Corporation
Committees: Audit, Technology

JOHN R. MENARD, JR.
President of Menard, Inc.
Committees: Corporate
Governance and Nominating,
Technology

R.M. (MARK) SCHRECK
Professor, University of
Louisville Speed School
of Engineering and
retired Vice President
of Technology,
General Electric
Committees: Corporate
Governance and Nominating,
Technology

WILLIAM G. VAN DYKE
Retired Chairman
of Donaldson Company, Inc.
Committee: Audit

JOHN P. WIEHOFF
Chief Executive Officer
of C.H. Robinson
Committee: Audit

* Committee Chair

CORPORATE OFFICERS &
GENERAL MANAGERS

THOMAS C. TILLER
Chief Executive Officer

BENNETT J. MORGAN
President and
Chief Operating Officer

JEFFREY A. BJORKMAN
Vice President – Operations

MARK E. BLACKWELL
Vice President –
Victory Motorcycles and
International Operations

JOHN B. CORNESS
Vice President –
Human Resources

MICHAEL D. DOUGHERTY
Vice President and
General Manager – ATVs

WILLIAM C. FISHER
Vice President,
Chief Information Officer
and General Manager –
Service

MATTHEW J. HOMAN
General Manager –
Side-by-Side Vehicles

MICHAEL P. JONIKAS
Vice President –
Sales and Marketing

DAVID C. LONGREN
Vice President and
Chief Technical Officer

MICHAEL W. MALONE
Vice President –
Finance, Chief Financial
Officer and Secretary

MARY P. McCONNELL
Vice President –
General Counsel

SCOTT A. SWENSON
Vice President and
General Manager –
Snowmobiles and
Parts, Garments and
Accessories

TRULS TVETE
General Manager –
International
Forward-looking statements made herein involve certain important factors that could change and cause actual results to differ materially from those anticipated. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation” beginning on page 11 of the Form 10-K included with this report.

FINANCIAL HIGHLIGHTS (dollars and shares in thousands, except per-share data)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Net Income from Continuing Operations</th>
<th>Sales</th>
<th>Average Shares Outstanding</th>
<th>Return on Average Shareholder Equity</th>
<th>Capital Expenditures</th>
<th>Percent of Sales</th>
<th>Net Income from Continuing Operations (Diluted)</th>
<th>Earnings Per Share (Diluted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 769,881</td>
<td>$ 176,036</td>
<td>$1,780,009</td>
<td>2.9%</td>
<td>1.36</td>
<td>$ 778,791</td>
<td>1%</td>
<td>$ 778,791</td>
<td>$1.24</td>
</tr>
<tr>
<td>2006</td>
<td>$ 778,791</td>
<td>$ 172,982</td>
<td>$1,327,091</td>
<td>112,791 —</td>
<td>1.36</td>
<td>$ 778,791</td>
<td>1%</td>
<td>$ 778,791</td>
<td>$1.24</td>
</tr>
<tr>
<td>2005</td>
<td>$ 612,098</td>
<td>63,747</td>
<td>$1,468,017</td>
<td>112,598 —</td>
<td>1.36</td>
<td>$ 778,791</td>
<td>1%</td>
<td>$ 778,791</td>
<td>$1.24</td>
</tr>
<tr>
<td>2004</td>
<td>$ 536,017</td>
<td>$ 58,600</td>
<td>$1,380,085</td>
<td>112,598 —</td>
<td>1.36</td>
<td>$ 778,791</td>
<td>1%</td>
<td>$ 778,791</td>
<td>$1.24</td>
</tr>
</tbody>
</table>

OTHER INVESTOR INFORMATION

DIVIDEND REINVESTMENT PLAN

Shareholders may automatically reinvest their dividends in additional Polaris common stock through the Dividend Reinvestment Plan, which also provides for voluntary cash contributions. For additional information, please contact Wells Fargo Shareholder Services at 1-800-468-9769 or visit the Wells Fargo Bank website at www.wellsfargo.com.

STOCK-SPLIT HISTORY

The Company’s stock has been outstanding since 1994. In 2000, the Company’s Board of Directors declared a two-for-one stock split, which was settled in July of that year.

OUR INVESTOR RELATIONS TEAM

Richard Edwards
Director of Investor Relations
P.O. Box 4000
Minneapolis, MN 55440
763-326-3627
richard.edwards@polaris.com
The Goals

$2.2 billion in sales by 2009

$150 million in net income by 2009

$4.25 earnings per share by 2009

The Strategies

1. Win in the Core
   • Grow market share in snowmobiles and ATVs.
   • Leverage PG&A and financial services to deliver superior total value.

2. Deliver Operational Excellence
   • Industry-leading quality in every product line.
   • Greater than 5 percent productivity gains every year.
   • A lean enterprise, driven by robust, simple designs and a lean supply chain.

3. Grow by $500 million by 2009
   • Victory®: Obtain 5 percent market share in cruiser and touring segments.
   • RANGER™: Dominate utility and recreational side-by-side market.
   • International: Expand global presence.
   • Expand military opportunity.
   • Enter at least one new adjacent market segment.

Supported by...

People and Culture
   • Externally focused employee owners with a can-do drive to consistently deliver outstanding results.
   • The best team in powersports.
   • Passion to ride and win.

Technology
   • Consistent, flawless introduction of compelling new products.
   • Class-leading ride and handling.
   • Control our destiny in powertrains.
   • Class-leading information technology.

Brand
   • Ever-improving brand awareness and image through stronger, better and bigger dealer network.
   • Consistent advertising and brand support.