First Quarter 2015 Earnings Results

April 23, 2015
Safe Harbor

Except for historical information contained herein, the matters set forth in this document, including but not limited to management’s expectations regarding 2015 sales, shipments, margins, currencies, net income and cash flow, the opportunities for expansion and diversification of the Company’s business and the Company’s guidance on earnings per share from continuing operations are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those forward-looking statements. Potential risks and uncertainties include such factors as product offerings, promotional activities and pricing strategies by competitors; manufacturing operation expansion initiatives; acquisition integration costs; warranty expenses; foreign currency exchange rate fluctuations; environmental and product safety regulatory activity; effects of weather; commodity costs; uninsured product liability claims; uncertainty in the retail and wholesale credit markets; performance of affiliate partners; changes in tax policy and overall economic conditions, including inflation, consumer confidence and spending and relationships with dealers and suppliers. Investors are also directed to consider other risks and uncertainties discussed in our 2014 annual report and Form 10-K filed by the Company with the Securities and Exchange Commission. The Company does not undertake any duty to any person to provide updates to its forward-looking statements.

The data source for retail sales figures included in this presentation is registration information provided by Polaris dealers in North America and compiled by the Company or Company estimates. The Company must rely on information that its dealers supply concerning retail sales, and other retail sales data sources and this information is subject to revision.
Scott W. Wine
Chairman & CEO

POLARIS INDUSTRIES INC.

First Quarter 2015 Earnings Results

April 23, 2015
Record 1st quarter sales, operating income and net income

Sales of Motorcycles +74%; PG&A +12%; ORV +11%
Sales in EMEA -15%; Asia Pacific +6%; Latin America +75%

Earnings per share increased 9% to a record $1.30

Gross profit margin down 66 bps, primarily currency and mix pressures
Operating income margin up 28 bps
Pretax profit impacted by $16 million currency hit in Q1

Record Results In-spite of Stiff Currency Pressures
Recent Acquisitions

Timbersled Acquisition

- Mountain Horse Conversion Kit
  MSRP-US $5,300 - $6,500

New snow category complements mountain business
Fast growing and profitable
New customer base – off-road motorcyclists in snowbelt

Hammerhead Acquisition

- Light Utility Vehicles (Gas/Electric)
  MSRP-US $3,499 - $5,499

- Adult go-karts
  MSRP-US $1,999-$2,799

- Youth go-karts
  MSRP-US $1,099 - $1,699

Leverage low-cost supplier/manufacturing base
Expand entry level go-kart / ORV business
Increase emerging market access
Cultural fit - western educated, ORV background

Complementary to Snow Business

Builds on Growing Asian Business
## Vision & Strategy

**VISION**

Fuel the passion of riders, workers and outdoor enthusiasts around the world by delivering innovative, high quality vehicles, products, services and experiences that enrich their lives.

**STRATEGY**

Polaris will be a highly profitable, customer centric, $8B global enterprise by 2020. We will make the best off-road and on-road vehicles and products for recreation, transportation and work supporting consumer, commercial and military applications. Our winning advantage is our innovative culture, operational speed and flexibility, and passion to make quality products that deliver value to our customers.

## Strategic Objectives

<table>
<thead>
<tr>
<th>Best in Powersports PLUS</th>
<th>Global Market Leadership</th>
<th>Strong Financial Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-8% annual organic growth</td>
<td>&gt;33% of Polaris revenue</td>
<td>Sustainable, profitable growth</td>
</tr>
<tr>
<td>Growth Through Adjacencies</td>
<td>LEAN Enterprise is Competitive Advantage</td>
<td>Net Income Margin &gt;10%</td>
</tr>
<tr>
<td>&gt;$2B from acquisitions &amp; new markets</td>
<td>Significant Quality, Delivery &amp; Cost Improvement</td>
<td></td>
</tr>
</tbody>
</table>

## Guiding Principles

- Best People, Best Team
- Safety & Ethics Always
- Customer Loyalty

## Performance Priorities

- Growth
- Margin Expansion
- Product & Quality Leadership
- LEAN Enterprise

## Key Performance Indicators

**GROW SALES**

- >$8 Billion by 2020
- 12% CAGR

**INCREASE NET INCOME**

- >10% of Sales by 2020
- 13% CAGR
Narrowing EPS guidance – raising lower end of range

North American retail sales growth and market share gains expected to continue

International sales now projected to decline low-single digits% (weak EMEA & currencies)

Total sales projected up 9% to 12% (unchanged from previous guidance)

Net income margin projected to hold above long-term goal of 10%

Maintaining Full Year 2015 Sales & EPS Guidance In-spite of Currency Pressures
**N.A. Powersports Retail Sales – Q1 2015**

**Polaris Retail Sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Polaris Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-14</td>
<td>7%</td>
</tr>
<tr>
<td>Q2-14</td>
<td>15%</td>
</tr>
<tr>
<td>Q3-14</td>
<td>12%</td>
</tr>
<tr>
<td>Q4-14</td>
<td>13%</td>
</tr>
<tr>
<td>Q1-15</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Industry Retail Sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Industry Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-14</td>
<td>+4%</td>
</tr>
<tr>
<td>Q1-15</td>
<td>+4%</td>
</tr>
</tbody>
</table>

**Polaris N.A. retail ↑ 8% for Q1 2015 vs. Q1 2014**

Gained share in powersports driven by motorcycles

ORV market share flat in Q1 – Intense competitive promotional pressure

**Motorcycle Q1 retail strong; double last year**

Indian and Victory ↑ and gaining share; Slingshot stronger than expectations

**Polaris N.A. Snow retail ↑ high-single digits for season driving increased market share, but Q1 ↓ low-double digits %**

N.A. Snowmobile industry ended the season ↑ mid-single digits %, strongest year since ’08/’09
Polaris Q1 2015 N.A. dealer inventory ↑ 17% vs. 2014

ORV ↑ mid-teens % driven primarily by more new models & market categories & RFM ATV segment stocking
Motorcycles ↑ about 20%; Indian motorcycles and Slingshots ↑, Victory ↓ low double-digits %
Snowmobiles ↑ mid-twenties % due to lower snowfall levels in key regions

Continue to optimize RFM business model in ATVs
Improving model to be more flexible/nimble going forward
Current ORV capacity limitations requiring level-loaded production ahead of key spring and fall seasonality
Targeting year-over-year unit and percent decreases throughout 2015 through improved turns
Production delays in motorcycles – paint system, new product readiness

Began shipping Indian Scouts very late in Q1

New paint system ramped-up throughout Q1; progress accelerating

Gross Profit Margin ↓ in Q1 due to currency and product mix pressures

New LEAN Value Improvement Process (VIP) implemented to improve quality, delivery & cost

Factory inventory up 30% vs. 2014; PG&A, raw materials, mix and acquisitions

Polaris product quality good and improving; #1 in NPS for motorcycles, SxS & ATVs

Challenging Circumstances in Q1
Strong N.A. sales offset by weaker international sales (currency)

N.A. Polaris ORV retail sales ↑ mid-single digits %; Industry ↑ mid-single digits % - market share flat
Polaris side-by-side retail sales ↑ almost 10%; both RANGER and RZR grew sales
ATVs ↓ low single digits due to intense competitive promotional pressure; ACE ↑ significantly

**RZR** retail in premium category ↑ significantly: RZR XP 900 Trails & RZR XP 1000s

Competitive promotion and discounting environment ↑ significantly in Q1

Polaris upcoming MY’16 new product introductions will add to industry-leading armada
Motorcycles

Polaris Motorcycle Sales

($ millions)

- **Q1 2014**
  - $78.9
- **Q1 2015**
  - $137.4 (up +74%)
- **FY 2014**
  - $348.7 (up +59%, increased)
- **FY 2015 Guidance**
  - Up 55% to 70%

Polaris N.A. motorcycle Q1 retail sales ↑ double last year

- Indian ↑ significantly, new products well-accepted; share ↑
- Victory retail sales ↑ slightly; share ↑
- Slingshot exceeding expectations; increasing line rate
- Significant order backlog in all brands

**Indian Motorcycle distribution expanding**

- Over 200 N.A. dealers signed; 150 retailing at quarter-end

**Challenges in production and paint system throughout Q1**

<table>
<thead>
<tr>
<th>Retailing Dealers</th>
<th>Victory Motorcycle</th>
<th>Indian Motorcycle</th>
<th>Slingshot</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America</strong></td>
<td>440</td>
<td>150</td>
<td>370</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(&gt;200 Signed)</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>150</td>
<td>140</td>
<td>0</td>
</tr>
<tr>
<td><strong>WORLDWIDE</strong></td>
<td>590</td>
<td>290</td>
<td>370</td>
</tr>
</tbody>
</table>

Retail Solid In-spite of Production & Capacity Delays
Polaris retail ↑ high-single digits % season-end March 31, 2015; Q1 ↓ low-double digits %
N.A. Industry ↑ mid-single digits % for the season - best industry performance in six years
Gained share in 2014/2015 season on strength of new Axys® platform

Strong MY’16 introductions, again
Award winning Axys® platform expanded into RMK line – 7 new MY’16 mountain sled models

N.A. consumer snowchecks and MY’16 dealer orders ↑ slightly vs. 2014
Offset by weakness in Europe and Russia due to poor snow conditions and currencies

Sales guidance now includes Timbersled acquisition
Global Adjacent Markets

Global Adjacent Market Sales
($ millions)

<table>
<thead>
<tr>
<th>Q1 2014 (Reclassified)</th>
<th>Q1 2015</th>
<th>FY 2014 (Reclassified)</th>
<th>FY 2015 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$61.2</td>
<td>+7%</td>
<td>$273.3*</td>
<td>Up 5% to 10%</td>
</tr>
</tbody>
</table>

New Organization; focus on growth outside Powersports

Work & Transportation ("W&T"), Military

W&T Sales ▲ mid-single digits %

N.A. W&T sales ▲ due to strong direct sales and Ariens partnership

International W&T sales ▼ due to currency

Aixam, Mega and Goupil growing and meeting expectations, excluding currency

Defense sales ▲ double-digits % driven by DAGOR™, MRZR™ & International sales

Additional shipment of DAGOR to U.S. & Int'l Special Forces

Growing Outside Powersports
Record Q1 sales; ↑ 12%

ORV sales ↑ 16%, Motorcycles ↑ 78%

All categories increased sales in Q1

Accessories ↑ 23%, Apparel ↑ 8%, Parts ↑ 1% (poor snow)

U.S. sales ↑ 21%; Canada & International sales ↓ (currency)

Aftermarket brand portfolio & e-commerce ↑ strong (Kolpin, Klim & Pro Amor)

Expect Sales to Accelerate as Year Progresses
International sales ↓ 7% in Q1, currency impact of $23 million

All product categories ↓ in Q1
Asia Pacific ↑ 6% – strong market performance in China, New Zealand and India
Latin America ↑ 75% – Mexico ↑ strong, dealer direct model working
EMEA ↓ 15% (primarily currency and Russia)

Poland plant ramping and on-plan
Eicher/Polaris JV to begin production 2H 2015

Focused on Execution in Challenging Markets and Currency Pressures
### Solid Growth Expectations

<table>
<thead>
<tr>
<th>METRIC</th>
<th>GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Components</td>
<td></td>
</tr>
<tr>
<td>Off-Road Vehicles</td>
<td>Up mid-single digits % (reclassified 2014 actuals)</td>
</tr>
<tr>
<td>Snowmobiles</td>
<td>Down low-single digits %</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>Up 55% to 70%</td>
</tr>
<tr>
<td>Global Adjacent Markets</td>
<td>Up 5% to 10% (reclassified 2014 actuals)</td>
</tr>
<tr>
<td>PG&amp;A</td>
<td>Up high-teens %</td>
</tr>
<tr>
<td>International</td>
<td>Down low-single digits %</td>
</tr>
<tr>
<td>Total Company sales</td>
<td>Up 9% to 12%</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>Flat to Up 20 bps</td>
</tr>
<tr>
<td>Operating expenses (% of sales)</td>
<td>About flat</td>
</tr>
<tr>
<td>Income from financial services</td>
<td>Up mid-single digits %</td>
</tr>
<tr>
<td>Income taxes</td>
<td>34.75% to 35.25% of pretax income</td>
</tr>
<tr>
<td>Net income</td>
<td>Up 9% to 12%</td>
</tr>
<tr>
<td>EPS, diluted</td>
<td>$7.27 to $7.42 (+9% to +12%)</td>
</tr>
</tbody>
</table>

**Change in Guidance**
- Increased/ favorable
- Decreased/ unfavorable
- Unchanged
- Narrowed
## 2015 Gross Profit Margin Guidance

<table>
<thead>
<tr>
<th>METRIC</th>
<th>Actual Q1 2014</th>
<th>Actual Q1 2015</th>
<th>Guidance FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior period</td>
<td>29.0%</td>
<td>29.1%</td>
<td>29.4%</td>
</tr>
<tr>
<td>Production volume/capacity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product cost reduction efforts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher selling prices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product mix</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New plant start-up costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation/Tooling amortization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales promotional costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current period</td>
<td>29.1%</td>
<td>28.4%</td>
<td>29.4% to 29.6%</td>
</tr>
<tr>
<td>Change</td>
<td>+10 bps</td>
<td>-66 bps</td>
<td>Flat to Up +20 bps</td>
</tr>
</tbody>
</table>

↑ Improvement to gross profit margin %  
↓ Impairment to gross profit margin %  
↔ Neutral to gross profit margin %
## Foreign Currency Exposures for Polaris

### F/X Impacts vs. 2014 ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Actual Q1 2015</th>
<th>FY 2015 Expectations* (Included in Guidance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>($32)</td>
<td>($140 - $160)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>($12)</td>
<td>($65 - $75)</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$5</td>
<td>$15 - $17</td>
</tr>
<tr>
<td>Other Expense</td>
<td>($9)</td>
<td>($15 - $17)</td>
</tr>
<tr>
<td>Pretax Income</td>
<td>($16)</td>
<td>($65 - $75)</td>
</tr>
</tbody>
</table>

*Assumes exchange rates remain in about same range as of the end of Q1. Net income expectations for 2015 include the impact of existing F/X hedging contracts below.

### Open F/X Hedging Contracts as of April 23, 2015

<table>
<thead>
<tr>
<th>Foreign Currency</th>
<th>Currency Position</th>
<th>% of Remaining 2015 Cash Flow Exposure</th>
<th>Foreign Currency Hedging Contracts</th>
<th>Currency Impact on Net Income Compared to Prior Year Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Dollar (CAD)</td>
<td>Long</td>
<td>75%</td>
<td>$205,200</td>
<td>$0.79 to 1 CAD, Negative</td>
</tr>
<tr>
<td>Australian Dollar (AUD)</td>
<td>Long</td>
<td>30%</td>
<td>$10,700</td>
<td>$0.81 to 1 AUD, Negative</td>
</tr>
<tr>
<td>Euro (EUR)</td>
<td>Long</td>
<td>0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Japanese Yen (JPY)</td>
<td>Short</td>
<td>70%</td>
<td>$16,900</td>
<td>110 Yen to $1, Positive</td>
</tr>
<tr>
<td>Mexican Peso (MXN)</td>
<td>Short</td>
<td>70%</td>
<td>$28,000</td>
<td>14.3 Peso to $1, Positive</td>
</tr>
</tbody>
</table>

### Significant Impact in Q1 2015, Expected to Persist for Remainder of 2015
## Balance Sheet and Liquidity Profile

<table>
<thead>
<tr>
<th>$ In millions (except per share and rate data)</th>
<th>Q1 2015</th>
<th>Fav / (UnFav) Q1 2014</th>
<th>2015 Full Year Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$111.0</td>
<td>9%</td>
<td>Increase from 2014</td>
</tr>
<tr>
<td>Debt / Capital lease obligations</td>
<td>$329.1</td>
<td>1%</td>
<td>Similar to 2014</td>
</tr>
<tr>
<td>Credit facility</td>
<td>$500.0</td>
<td>43%</td>
<td>Increased $150M from 2014</td>
</tr>
<tr>
<td>Factory inventory</td>
<td>$629.3</td>
<td>(30%)</td>
<td>Improved Turns</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$30.8</td>
<td>(22%)</td>
<td>&gt;$250M</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$37.1</td>
<td>(32%)</td>
<td>Increase about 20% from 2014</td>
</tr>
<tr>
<td>Operating cash flow from continuing operations</td>
<td>$4.2</td>
<td>($40.5)</td>
<td>Increase at higher % than net income</td>
</tr>
<tr>
<td>Dividend (per share)</td>
<td>$0.53</td>
<td>10%</td>
<td>Increase 10% over 2014</td>
</tr>
<tr>
<td>Polaris Acceptance receivables</td>
<td>$1,221.9</td>
<td>28%</td>
<td>About flat with 2014</td>
</tr>
<tr>
<td>Retail credit – Approval rate</td>
<td>56%</td>
<td>+4%</td>
<td>Rates stable</td>
</tr>
<tr>
<td>– Penetration rate</td>
<td>32%</td>
<td>+2%</td>
<td></td>
</tr>
</tbody>
</table>
Closing Comments

Anticipation

Agility

Alignment

Accountability
Organizational Changes

Chris Wolf  
V.P. – Snowmobiles  
12+ Years with Polaris  
GM – Snowmobiles 2014  
Dir. Snowmobiles 2011  
Sales & Service

Craig Scanlon  
V.P. – Slingshot  
10+ Years with Polaris  
GM – Side-by-Sides 2012  
Dir. ORV Sales & Mktg 2010  
ORV Mgmt. & Sales

Mike Jonikas – Retiring in May 2015  
V.P. – Snowmobiles & Slingshot  
15 Years with Polaris  
V.P. – Sales & Corp. Marketing  
GM – Side-by-Sides  
Director of ORV Marketing

Deep Bench Ensures Continuity
Closing Comments

A - Anticipation

A - Agility

A - Alignment

A - Accountability
Thank you

Questions?