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POLARIS INDUSTRIES INC.

Second Quarter 2016 Earnings Results

July 20, 2016

SAFE HARBOR

Except for historical information contained herein, the matters set forth in this document, including but not limited to management's expectations regarding 2016 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 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 2015 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.

Non-GAAP Measure - Constant Currency Reporting. This presentation includes information regarding the Company's 2016 expectations on a constant currency basis, which is a non-GAAP measure, as well as on a GAAP basis. For purpose of comparison, the results on a constant currency basis uses the respective prior year exchange rates for the comparative period to enhance the visibility of the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations.

Scott W. Wine
Chairman & CEO

POLARIS INDUSTRIES INC.

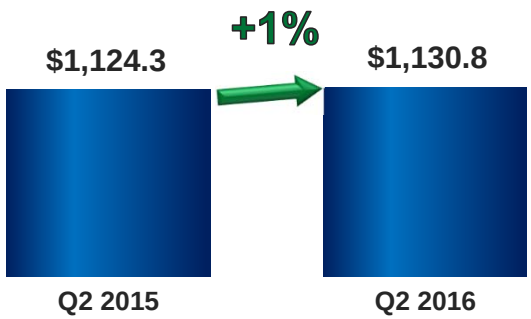
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Q2 2016 Sales and Income

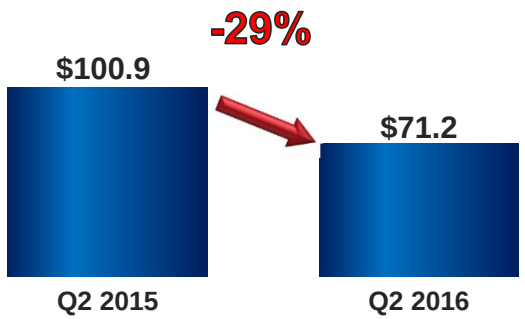
Q2 2016 Sales

($ millions)



Q2 2016 Net Income

($ millions)



Q2 sales and net income slightly better than revised expectations

- ORV/Snowmobile sales down 6%; Motorcycles up 23%; Global Adjacent Markets up 14%
- Results include ~$25 million of additional costs: warranty, legal and other recall related costs

Earnings per share decreased 27% to $1.09

- Gross profit margin down 325 bps from negative currency, mix and higher warranty, as expected

Cash flow up +287% to $348 million year-to-date

N.A. dealer inventory in line with company expectations

- ORV down 8 percent; motorcycles up as shipments normalize

Q2 Sales & Earnings Disappointing, but Cash Flow Up Significantly

1H 2016 Product Recalls

Announced ORV and Motorcycle product recalls

RZR 900, RZR 1000, RANGER 570, heavyweight Indian Motorcycles

Reason: gaps in design and development / manufacturing processes

Identified and urgently addressing gaps

Improving post sales surveillance process

Recorded charges of ~$35 million to cover warranty repairs and legal costs

~170 bps reduction in operating income in 1st Half

RZR 900/1000 recall update

Replacement parts availability and shipments on track

~30% of vehicle repairs completed to-date

Product Safety & Consumer Satisfaction #1 Priority

Organizational Changes

Strategic Objectives

- **Best in Powersports PLUS**
  5-8% annual organic growth
- **Growth through Adjacencies**
  >$2B from acquisitions & new markets
- **Global Market Leadership**
  >33% of Polaris revenue
- **LEAN Enterprise is Competitive Advantage**
  Significant Quality, Delivery & Cost Improvement
- **Strong Financial Performance**
  Sustainable, profitable growth
  Net Income Margin >10%

Performance Priorities

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

Chief Marketing Officer



CRAIG SCANLON

VP – Chief Marketing Officer and Chief Retail Officer for ORV

Create and implement global brand strategies

Optimize marketing processes and capture best practices

Utilize consumer behavior analytics

Integrating Slingshot into Motorcycle Organization

Fully leverage existing motorcycles sales infrastructure

Combine Lean / cost down efforts

Consolidate engineering and product management knowledge

Indian MOTORCYCLE

VICTORY MOTORCYCLES USA

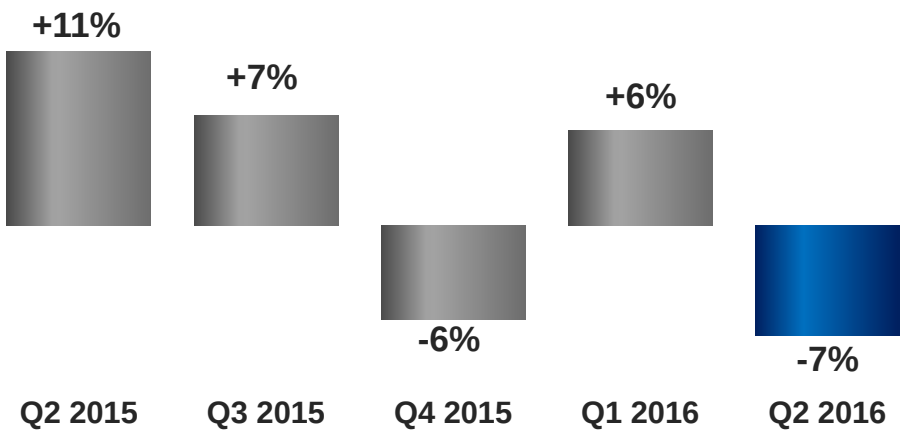
SLINGSHOT

Refining Our Organization to Accelerate Growth

Q2 2016 N.A. Powersports Retail Sales

Polaris Retail Sales vs. Prior Year

(# vehicle units)



Retail Sales by Business vs. Q2 2015

(# vehicle units)	POLARIS	INDUSTRY
Off-Road Vehicles	⇩ low double digits %	⇩ mid-single digits %*
Side-by-Sides ATVs	⇩ high-single digits % ⇩ mid-teens %	
Motorcycles (900cc & above)	⇧ mid-teens %	⇩ mid-single digits %
Snowmobiles	(off-season)	(off-season)

(*estimated)

Polaris N.A. retail down 7% for Q2 2016 vs. Q2 2015

- Motorcycle retail sales remain strong
- ORV down; tough comparables; RZR recall disruptive

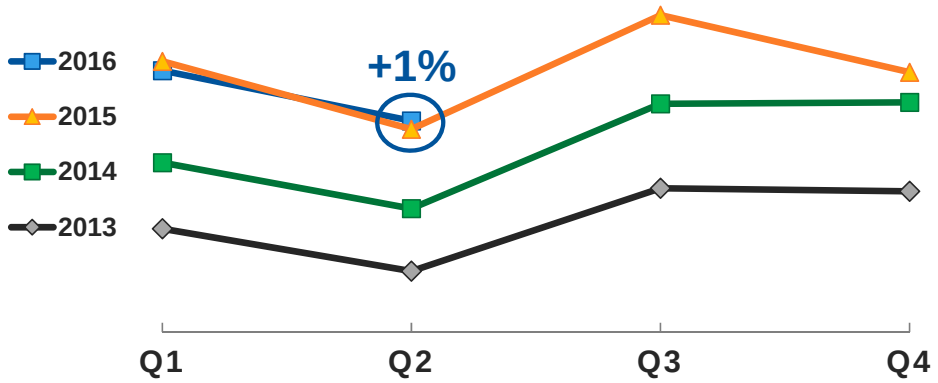
North American Industry retail trends weaker; Q2 down

- Oil/Gas, Ag slowed sequentially from Q1

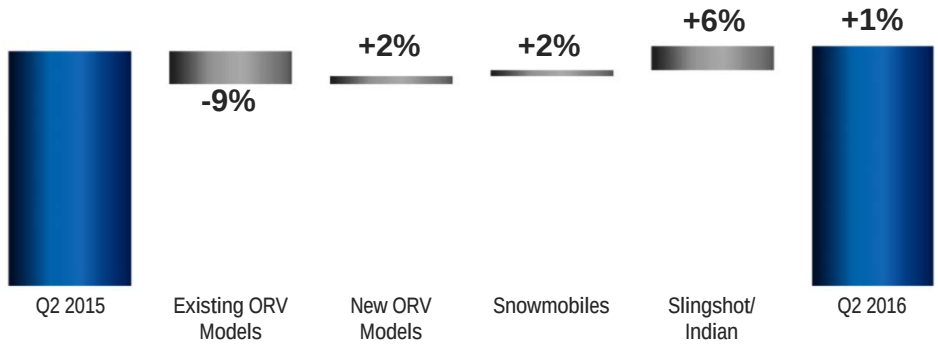
Polaris & Industry Retail Weak, but PII Remains Clear #1 Share Leader in ORV

N.A. Dealer Inventory

Polaris N.A. Dealer Inventory



N.A. Dealer Inventory



Polaris Q2 2016 N.A. dealer inventory +1% vs. Q2 2015

- ORV down 8% year-over-year; *RZR* and ATVs down double-digits %
- Motorcycles up significantly as expected, shipments normalized
- Snowmobiles remain high – no change, off-season

Dealer inventory in-line with Company expectations, but monitoring aggressively

Dealer Inventory Management Remains a Top Priority

Mike Speetzen
EVP Finance & CFO

POLARIS INDUSTRIES INC.

Second Quarter 2016 Earnings Results

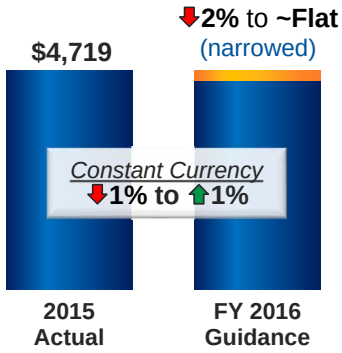
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2016 Full Year Guidance

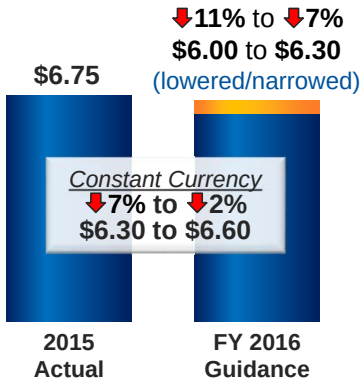
($ millions)

Total Company Sales & EPS

Sales



EPS (diluted)

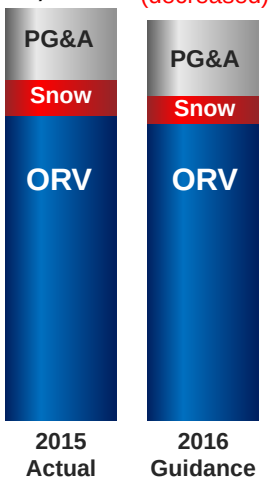


Assumptions

- **Protect market share**
- **Dealer inventory about flat**
- **F/X = minus ~30¢ per share**
- **Share count down ~3%**
- **Net income $ down 9% to 14%**
- **Gross margin down 70 to 120 bps**

Segments

Off-Road Vehicles /Snowmobiles



Motorcycles



Global Adjacent Markets

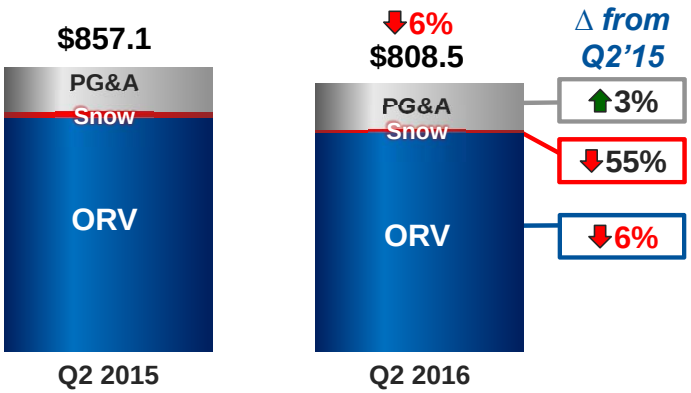


2016 Sales & Earnings Guidance Revised to Reflect Market Conditions & Increased Warranty

Off-Road Vehicles (ORV) / Snowmobiles

Q2 2016 ORV/Snowmobile Segment Sales

($ millions)



ORV down 6% due to weak industry / recall impact

- *RANGER* Shipments flat
- RZR/ATV shipments down

Promotional environment remained aggressive

PG&A up due to increased parts sales

ORV average selling price flat in Q2

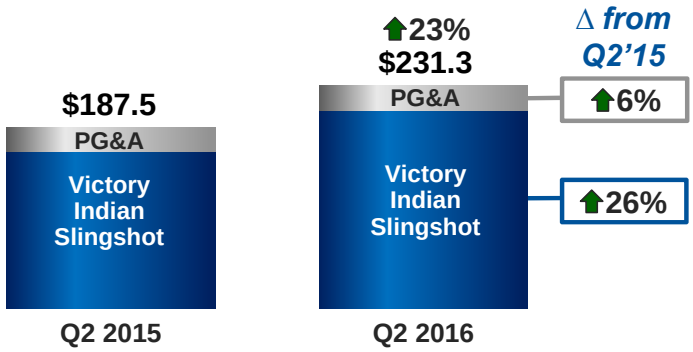


Results Expected to Improve in 2H 2016

Motorcycles

Q2 2016 Motorcycle Segment Sales

($ millions)



- Motorcycles up 23% due to market share gains, improved product availability
- All brands increased sales
- PG&A up driven by increased accessory offerings
- Full-year guidance revised down due to weaker industry trends
- Average selling price was down 1% in Q2



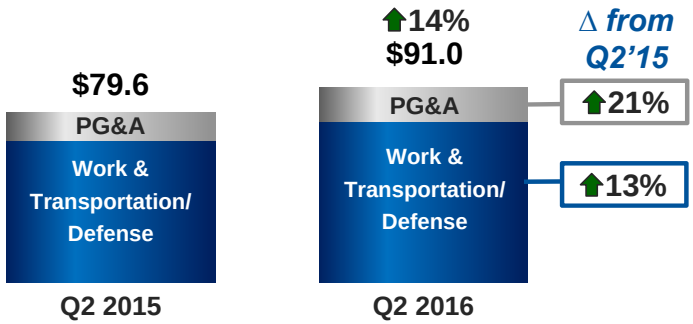


Share Gains Continue

Global Adjacent Markets (GAM)

Q2 2016 GAM Segment Sales

($ millions)



- GAM ↑ 14% due to continued strong Aixam business and Taylor-Dunn acquisition
- Full-year guidance revised up
- PG&A up due to increased W&T sales
- Average selling price for GAM was up 1% in Q2

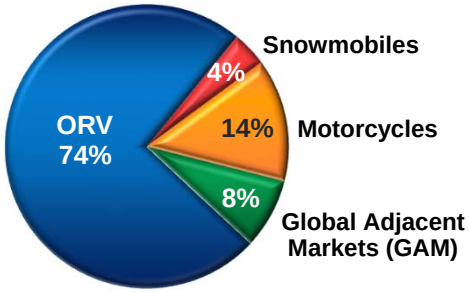


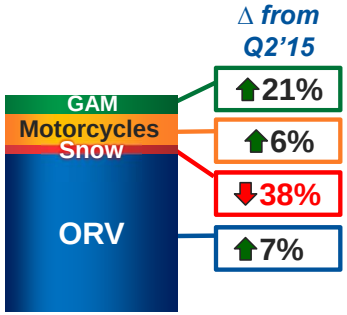
Building Capabilities

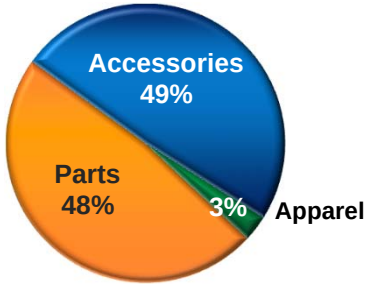
Q2 2016 Supplemental Sales Performance

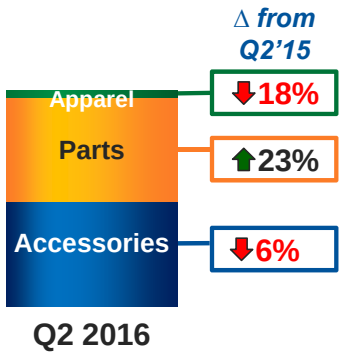
Parts, Garments & Accessories (PG&A)

Q2 Sales ↑5% to $197.0 Million



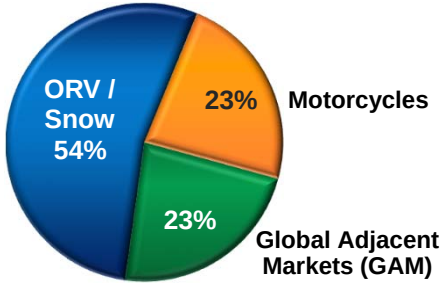


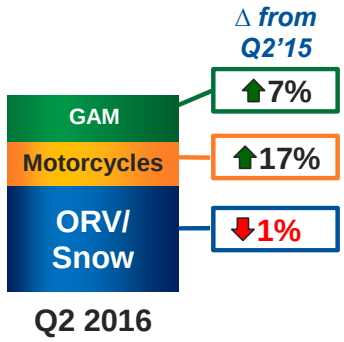


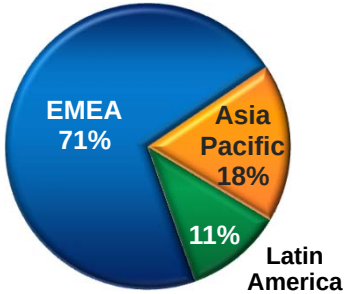


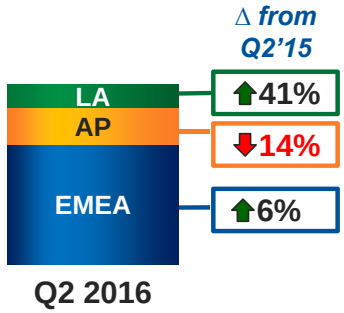
International

Q2 Sales ↑5% to $170.5 Million



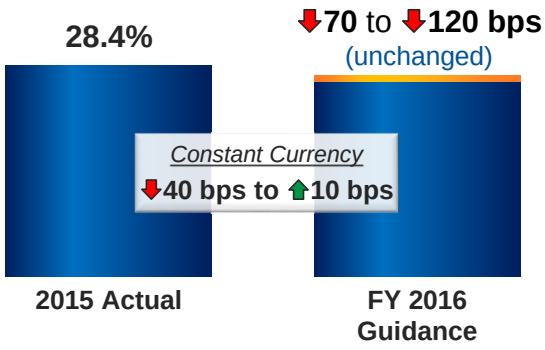






2016 Gross Profit Margin Guidance

Gross Profit Margin Full-Year Guidance



Assumptions

F/X = minus ~80 bps

Warranty higher

Value Improvement Process (VIP) & commodities positive

Gross Profit Margin Guidance by Component

	Q2 2016 Actual	FY 2016 Guidance
Prior period	28.4%	28.4%
Production volume/capacity	↓	↓
Product cost reduction efforts	↑	↑
Commodity costs	↑	↑
Currency rates	↓	↓
Higher selling prices	↑	↑
Product mix	↓	↔
Motorcycle Production Constraints	↑	↑
New plant start-up costs	↓	↓
Warranty costs	↓	↓
Depreciation/Tooling amortization	↓	↓
Sales promotional costs	↓	↓
Current period	25.2%	27.2% to 27.7%
Change	*-325 bps*	*-70 to -120 bps*

KEY: ↑ Improvement ↓ Headwind ↔ Neutral

VIP Initiatives Helping to Offset Much of the Increased Warranty

Other 2016 Expectations

FY 2016

Operating expenses: Increase up to 100 bps, as a % of sales (legal & other recall related costs / acquisitions)

Income from financial services: grow faster than total company sales (unchanged)

Income taxes: Approx. 35% of pre-tax income (unchanged)

International sales: ⬆ low to mid-single digits % (unchanged)

PG&A sales: ⬆ Grow faster than overall company (unchanged)

Q3 2016

Sales expected to be down mid to high-single digits % due to weak industry trends

Gross margins about flat with Q3 2015

Operating expenses about flat with Q3 2015 in dollars

Scott W. Wine
Chairman & CEO

POLARIS INDUSTRIES INC.

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Closing Thoughts

Global unrest / uncertainty heightens economic risks

Powersports market highly competitive / slow growth

Motorcycles market share gains continue; ORV stabilizes

Huntsville production ramps; accelerates SxS RFM

Lean & VIP driving savings, improved quality

Strong cash conversion to continue; funding more growth projects

Dealer show will kickoff 2nd half: innovation, technology & leadership

2nd Half Performance / Results Improving



POLARIS®

Thank You

Questions?

SUPPLEMENTAL DATA

Vision and Strategy

Foreign Currency Exposure

Q2 Financial Position

Income from Financial Services

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.

Guiding Principles

Best People, Best Team

Safety & Ethics Always

Customer Loyalty

Strategic Objectives

Best in Powersports PLUS
5-8% annual organic growth

Growth through Adjacencies
>$2B from acquisitions & new markets

Global Market Leadership
>33% of Polaris revenue

LEAN Enterprise is Competitive Advantage
Significant Quality, Delivery & Cost Improvement

Strong Financial Performance
Sustainable, profitable growth
Net Income Margin >10%

Performance Priorities

Growth

Margin Expansion

Product & Quality Leadership

LEAN Enterprise

GROW SALES >$8 Billion by 2020 | 12% CAGR

INCREASE NET INCOME >10% of Sales by 2020 | 13% CAGR

Strategy and Objectives Remain Valid & Achievable

Foreign Currency Exposure for Polaris

F/X Impacts vs. Prior Year ($ in millions)	Actual Q2 2016	FY 2016 Expectations
Sales	($7)	($35)
Gross Profit	($16)	($40)
Pretax Income	($15)	($30)

Open F/X Hedging Contracts as of June 30, 2016

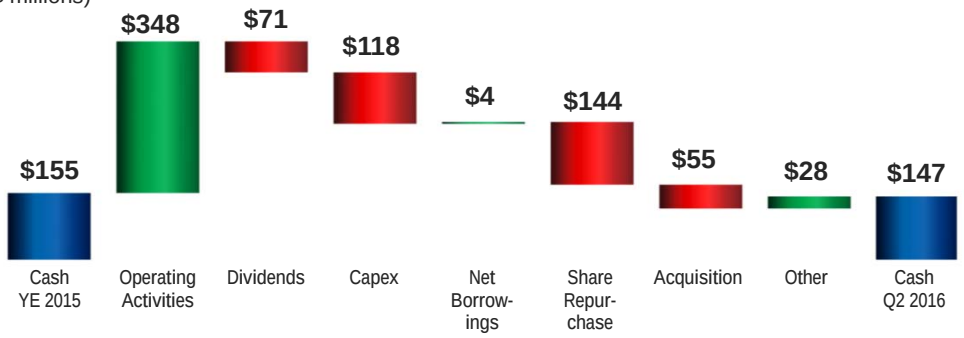
				Foreign Currency Hedging Contracts Outstanding		Currency Impact on Net Income Compared to Prior Year Period
	Foreign Currency	Currency Position	2H '16 Cash Flow Exposure Hedged	Notional Amounts (US $ in Millions)	Avg. Exchange Rate of Open Contracts	FY 2016 (Expectation)
	Canadian Dollar (CAD)	Long	85%	$160	$0.72 to 1 CAD	Negative
	Australian Dollar (AUD)	Long	70%	$26	$0.71 to 1 AUD	Negative
	Euro (EUR)	Long	0%	-	-	Slightly Negative
	Japanese Yen (JPY)	Short	10%	$1	118 Yen to $1	Negative
	Mexican Peso (MXN)	Short	100%	$29	18 Peso to $1	Positive

Currency Improved in Q2

Q2 2016 Polaris Financial Position

Cash Drivers

($ millions)



Operating Cash Flow

($ millions)



Capital Summary June 2016

($ millions)

		Fav/(Unfav) June 2015
Cash	$ 146.6	+23%
Debt /Capital Lease Obligations	$ 468.1	+17%
Shareholders' Equity	$ 924.2	+4%
Total Capital	$1,392.3	+8%
Debt to Total Capital	***34%***	***(3%)***

Q2 2016 Summary

Operating cash flow up significantly

Factory inventory down year-over-year

Share repurchases continue at accelerated rate

2016 Expectations

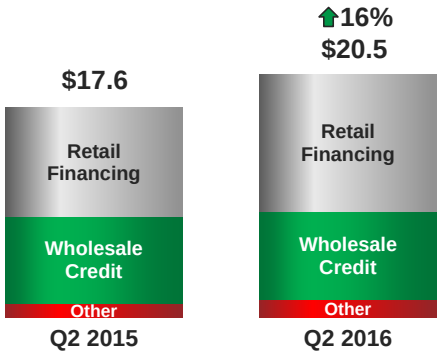
Cap Ex expected to be slightly higher than 2015 (unchanged)

Strong Balance Sheet and Cash Flow Generation Continues

INCOME FROM FINANCIAL SERVICES

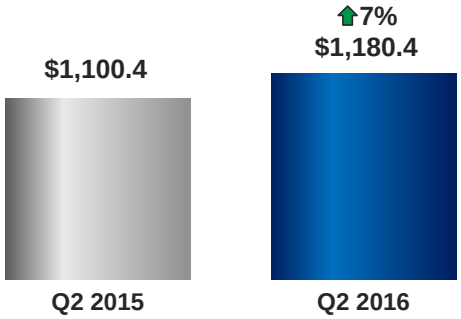
Income from Financial Services

($ millions)

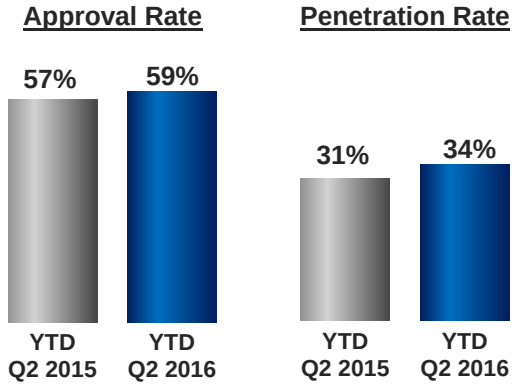


Wholesale Credit PA Receivables

($ millions)



Retail Credit



2016 expectations: grow faster than total Company sales

Q2 income from financial services increased 16%

Higher retail credit income

New Wells Fargo P.A. partner working well

Capital One exit complete – majority of business absorbed by Sheffield

Ample Financing Available at Favorable Rates


POLARIS®