POLARIS®

POLARIS INDUSTRIES INC.



First Quarter 2017 Earnings Results

April 25, 2017



SAFE HARBOR & NON-GAAP MEASURES

Except for historical information contained herein, the matters set forth in this presentation, including management's expectations regarding 2017 future sales, shipments, net income, and net income per share, and operational initiatives 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 the Company's ability to successfully implement its manufacturing operations expansion initiatives, product offerings, promotional activities and pricing strategies by competitors; economic conditions that impact consumer spending; acquisition integration costs; product recalls, warranty expenses; impact of changes in Polaris stock price on incentive compensation plan costs; 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 documents 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.

This presentation contains certain non-GAAP financial measures, consisting of "adjusted" sales, gross profit, operating expenses, net income and net income per diluted share" as measures of our operating performance. Management believes these measures may be useful in performing meaningful comparisons of past and present operating results, to understand the performance of its ongoing operations and how management views the business. Reconciliations of adjusted non-GAAP measures to reported GAAP measures are included in the appendix contained in this presentation. These measures, however, should not be construed as an alternative to any other measure of performance determined in accordance with GAAP.

NON-GAAP INFORMATION DISCLOSED IN THIS PRESENTATION

Key Definitions: Throughout this presentation, the word "Adjusted" is used to refer to GAAP results excluding: TAP inventory step-up purchase accounting, TAP integration expenses and impacts associated with the Victory Motorcycles® wind down

Reconciliation of GAAP "Reported" Results to Non-GAAP "Adjusted" Results

(In Thousands, Except Per Share Data; Unaudited)

Q1 2017	Reported GAAP Measures			Q1 2017 Adjustments[3]			Adjusted Measures		
	Q1 2017	Q1 2016	% Change	Victory Wind Down[1]	TAP[2]	Total	Q1 2017	Q1 2016	% Change
Sales									
ORV/Snowmobiles	$ 724,103	$ 708,103	2 %	—	—	—	$ 724,103	$ 708,103	2 %
Motorcycles	120,289	185,267	(35)%	$ 5,104	—	$ 5,104	125,393	185,267	(32)%
Global Adjacent Markets	91,555	74,109	24 %	—	—	—	91,555	74,109	24 %
Aftermarket	217,835	15,517	1,304 %	—	—	—	217,835	15,517	1,304 %
Total sales	**1,153,782**	**982,996**	**17 %**	**5,104**	**—**	**5,104**	**1,158,886**	**982,996**	**18 %**
Gross profit									
ORV/Snowmobiles	212,959	205,987	3 %	—	—	—	212,959	205,987	3 %
% of sales	*29.4 %*	*29.1%*	*+32 bps*				*29.4%*	*29.1%*	*+32 bps*
Motorcycles	(19,881)	27,259	(173)%	38,563	—	38,563	18,682	27,259	(31)%
% of sales	*(16.5)%*	*14.7%*	*-3,124 bps*				*14.9%*	*14.7%*	*+19 bps*
Global Adjacent Markets	28,098	20,383	38 %	—	—	—	28,098	20,383	38 %
% of sales	*30.7 %*	*27.5%*	*+319 bps*				*30.7%*	*27.5%*	*+319 bps*
Aftermarket	41,564	4,699	785 %	—	12,897	12,897	54,461	4,699	1,059 %
% of sales	*19.1 %*	*30.3%*	*-1,120 bps*				*25.0%*	*30.3%*	*-528 bps*
Corporate	(20,249)	(10,750)		—	—	—	(20,249)	(10,750)	
Total gross profit	**242,491**	**247,578**	**(2)%**	**38,563**	**12,897**	**51,460**	**293,951**	**247,578**	**19 %**
Gross profit %	*21.0 %*	*25.2%*	*(417) bps*				*25.4%*	*25.2%*	*+17 bps*
Operating expenses	241,832	189,930	27 %	(6,017)	(3,303)	(9,320)	232,512	189,930	22 %
Other expense, net	11,608	81	NM	(13,000)	—	(13,000)	(1,392)	81	NM
Net income (loss)	**$ (2,911)**	**$ 46,889**	**(106)%**	**$ 41,021**	**$ 10,183**	**$ 51,204**	**$ 48,293**	**$ 46,889**	**3 %**
Diluted EPS	**$ (0.05)**	**$ 0.71**	**(107)%**	**$ 0.64**	**$ 0.16**	**$ 0.80**	**$ 0.75**	**$ 0.71**	**6 %**

Adjustments:

(1) Represents adjustments for the wind down of Victory Motorcycles, including wholegoods, accessories and apparel

(2) Represents adjustments for TAP acquisition inventory step-up and TAP integration expenses

(3) The Company used its estimated statutory tax rate of 37.1% for the non-GAAP adjustments, except for the non-deductible items

2016 Reclassified Results: 2016 sales and gross profit results for ORV/Snowmobiles, Motorcycles and Aftermarket are reclassified for the new Aftermarket reporting segment.

2017 Adjusted Guidance: 2017 guidance excludes the pre-tax effect of TAP inventory step-up purchase accounting of approx. $15 million, acquisition integration costs of approx. $15 million, manufacturing network realignment costs of approx. $10-$15 million and the impacts associated with the Victory wind down which is estimated to be in the range of $70 to $90 million in 2017. 2017 adjusted sales guidance excludes any Victory wholegood, accessories and apparel sales and corresponding promotional costs as the Company is in the process of exiting the brand. The Company has not provided reconciliations of guidance for adjusted diluted net income per share, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to forecast certain items required to develop meaningful comparable GAAP financial measures. These items include costs associated with the Victory wind down that are difficult to predict in advance in order to include in a GAAP estimate.

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Scott W. Wine, Chairman & CEO

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Q1 SUMMARY

Financial results ahead of expectations amidst weak powersports industry

ORV retail sales momentum improved in Q1

- *RANGER*/GENERAL growth accelerated; *RZR* down as expected; PII promo high, as is industry
- Overall market share stabilizing

Indian Motorcycle® retail up 11% with ongoing share gains

- Victory up over 60%; Slingshot weakness continues

Adjacent Markets, Aftermarket (including TAP), and International all positive

Adjusted Gross Margins improved slightly – pressured by warranty costs

- Enhanced Safety & Quality improvements
- Huntsville ramp-up on track; enabled consolidation of smaller facilities

VIP delivering solid results; working >1,500 projects; 25 >$1 million each

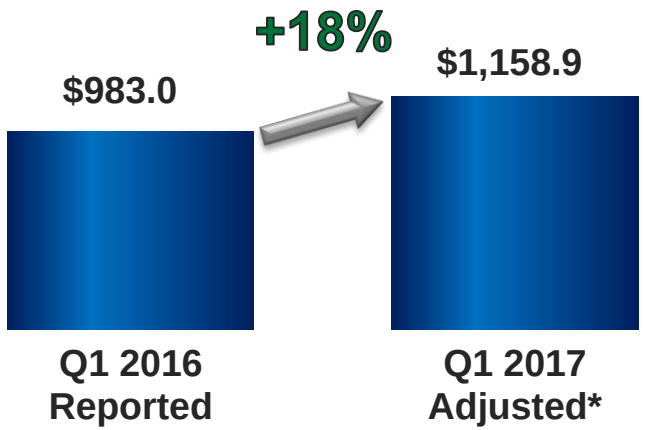
Product innovation pipeline improving

Q1 SLIGHTLY AHEAD OF PLAN – FULL YEAR TRACKING AS EXPECTED

Q1 2017 SALES AND INCOME

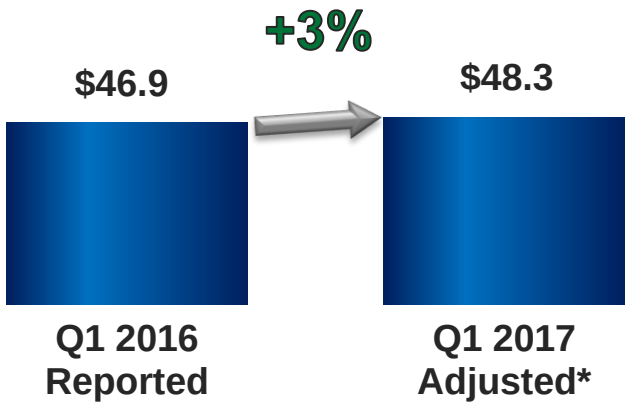
Q1 2017 Adjusted* Sales

($ millions)



Q1 2017 Adjusted* Net Income

($ millions)



Q1 2017 adjusted* sales and adjusted* net income finished ahead of expectations

- Acquisition of Transamerican Auto Parts (TAP) added $202 million of sales in Q1 2017
- Q1 2016 includes Victory sales of $46 million
- ORV/Snowmobile sales up 2%; Motorcycles down 32%; Global Adjacent Markets up 24%; Aftermarket up significantly (TAP)

Adjusted* earnings reported at $0.75 per diluted share, up 6% from prior year

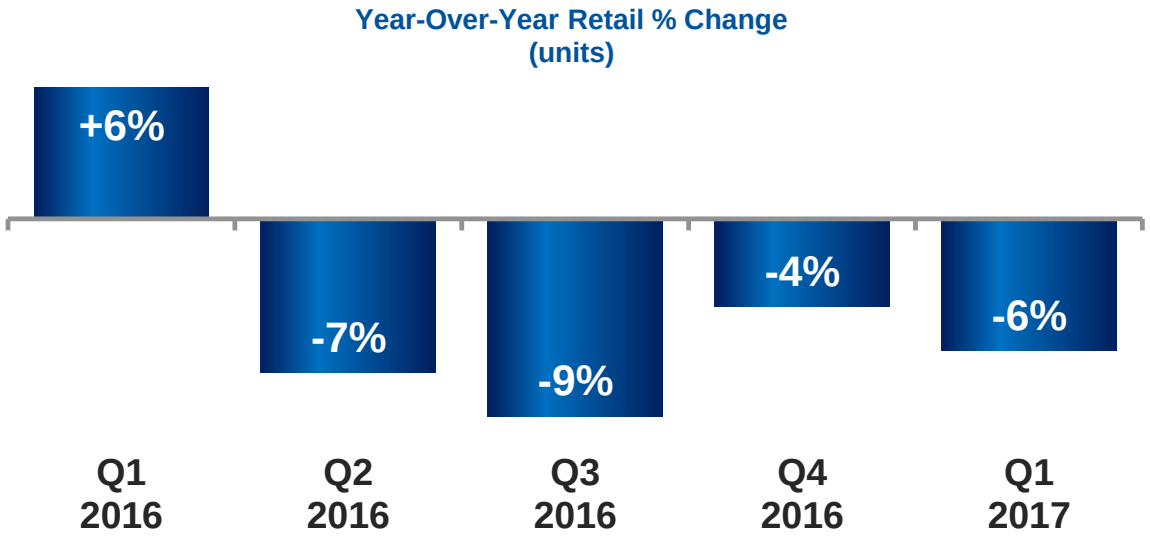
- Adjusted* gross profit margin up slightly; ⬆ VIP, ⬆ product mix, ⬆ acquisitions, ⬇ warranty; ⬇ promo

* See Non-GAAP Reconciliation on Slide #3

RESULTS SLIGHTLY AHEAD OF EXPECTATIONS

N.A. POWERSPORTS RETAIL SALES

Polaris Retail Sales



Q1'17 Retail Sales by Business (vs. Q1'16)

(# vehicle units)	POLARIS	INDUSTRY
Off-Road Vehicles	↓ mid-single digits %	↓ mid-single digits %*
Side-by-Sides	↓ low-single digits %	
ATVs	↓ low-double digits %	
Motorcycles (900cc & above)	↓ mid-single digits %	↓ mid-single digits %
Snowmobiles (season-end Mar 17)	↓ low-double digits %	↓ mid-single digits %

*estimated

Polaris N.A. retail down 6% for Q1 2017 vs. Q1 2016, ahead of expectations

Indian Motorcycle retail was up 11% against the successful launch of Indian Springfield Q1 LY

ORV retail down; tough comparables, but ATV share positive, SxS share loss slowing

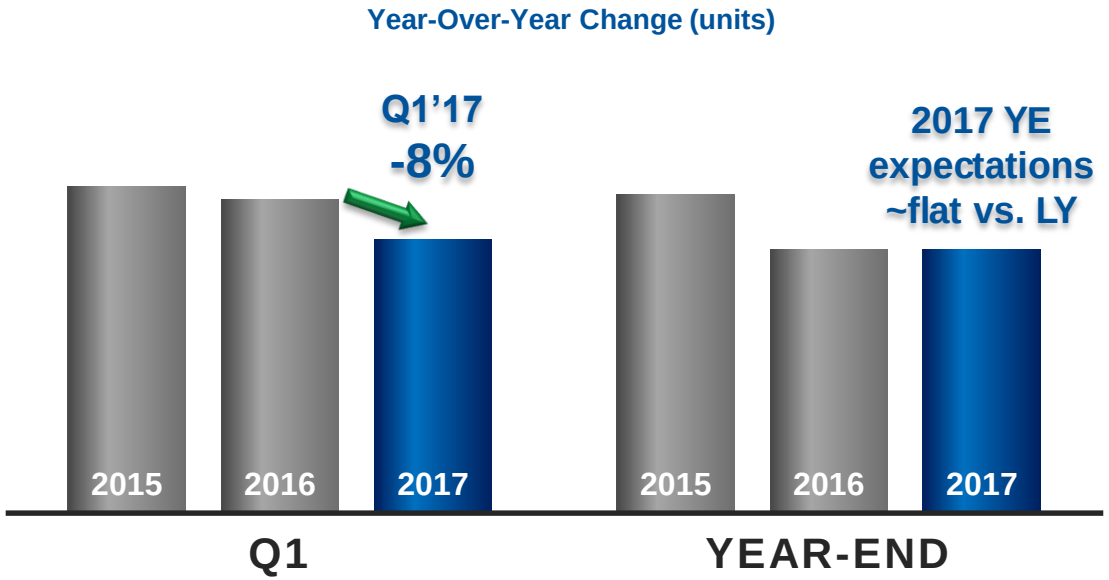
North American Industry retail down mid-single digits %

Oil & gas/ag industry remains challenged

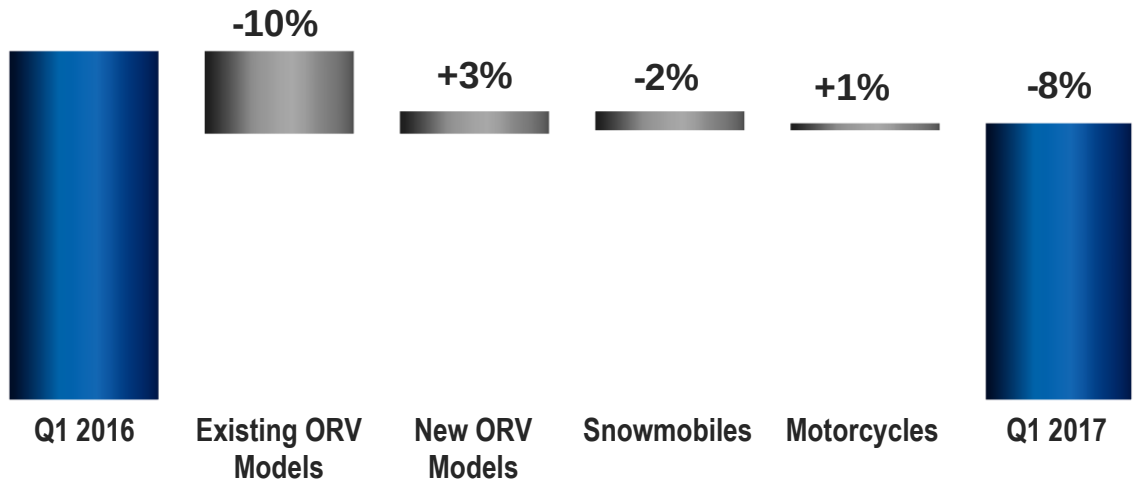
RETAIL SALES CHOPPY; ORV IMPROVING

N.A. DEALER INVENTORY

Polaris N.A. Total Dealer Inventory



Q1 Total N.A. Dealer Inventory



Polaris Q1 2017 N.A. dealer inventory down 8% vs. Q1 2016

- ORV down 9%, improved mix
- Motorcycles up, as expected, new products
- Snowmobiles down season ending 3/31/17, in spite of unseasonably warm weather

SxS RFM implementation in process internally

DEALER INVENTORY AT HEALTHY LEVELS HEADING INTO PEAK SELLING SEASON

PRODUCT RECALL UPDATE

Recall repair completion rates at all-time highs

RZR 900/1000 & *RZR* turbo >75%

Quality and Safety Organization

Established baseline metrics

Measuring/analyzing daily

Implementing new standards/processes throughout organization

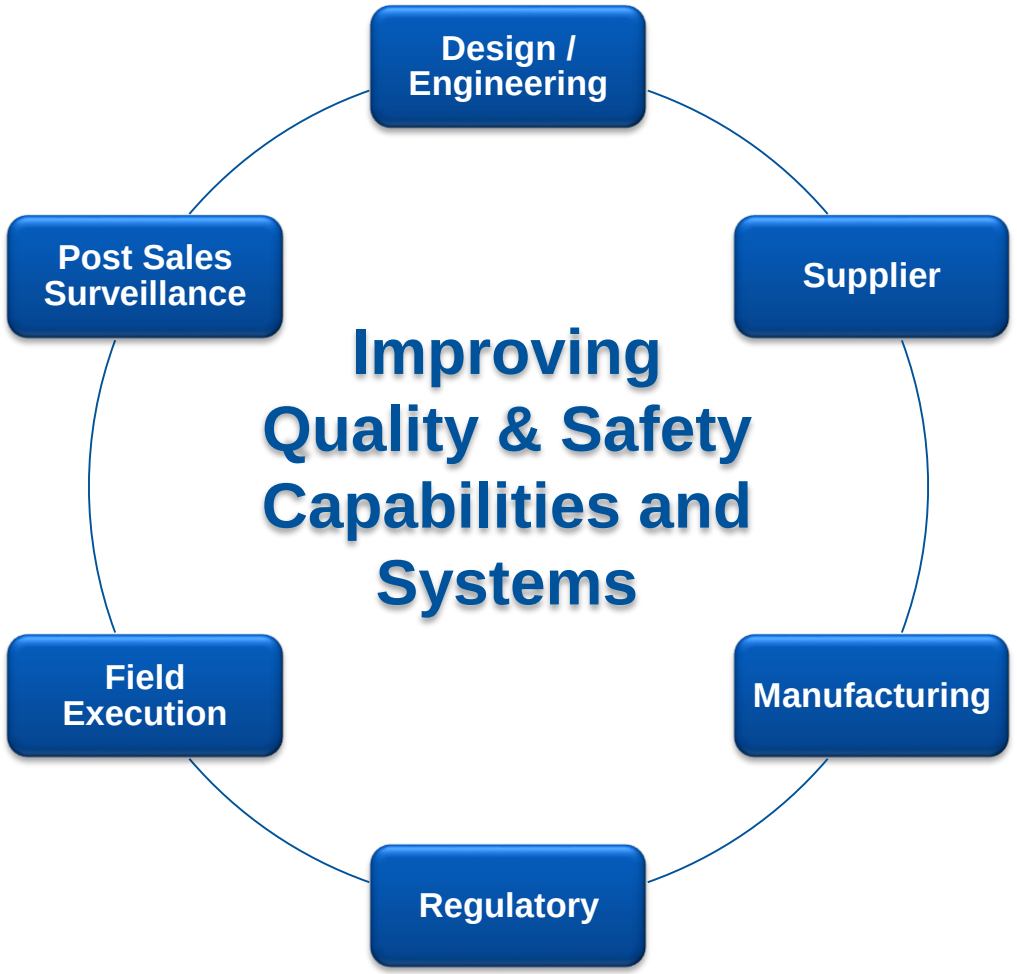
Continuing our commitment to safety

Rigorous DFMEA* & PFMEA** processes have been developed and are being implemented

**DFMEA – Design Failure Mode and Effects Analysis*

***PFMEA – Production Failure Mode and Effects Analysis*

Enhanced Quality & Safety Processes



QUALITY AND SAFETY PROCESS/PROCEDURES MATURING

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

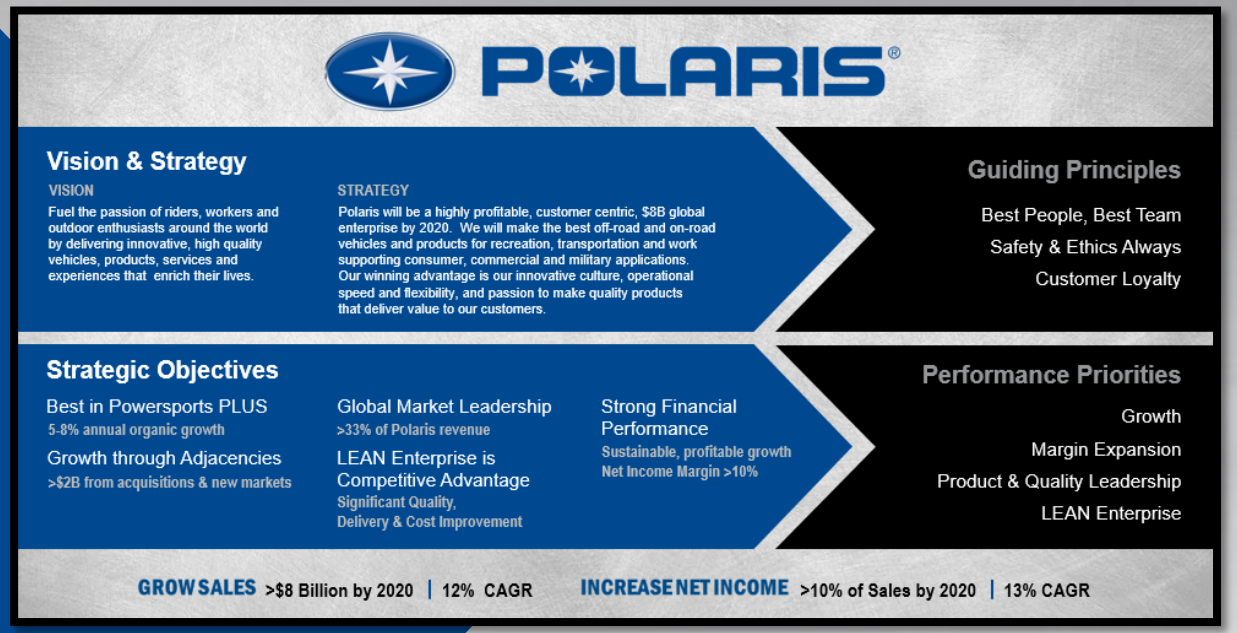
LEAN Enterprise is Competitive Advantage

✓ Significant Quality, Delivery & Cost Improvement

Strong Financial Performance

Sustainable, profitable growth

Net Income Margin >10%



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

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

= Under Review

Vision & Strategy Remain Unchanged, Financial Goals Under Review

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Mike Speetzen, EVP Finance & CFO

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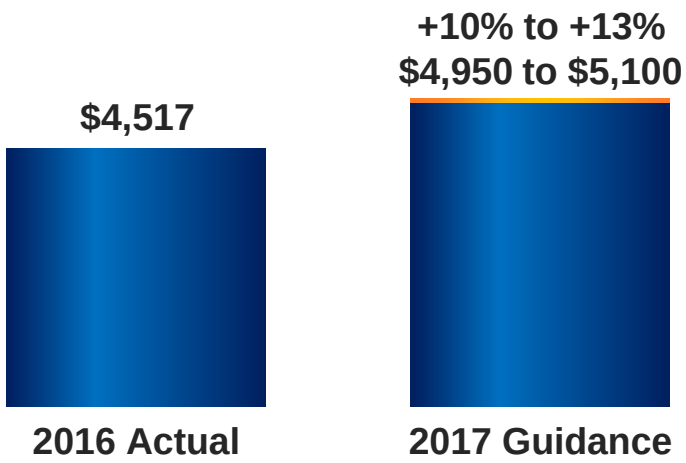
2017 FULL YEAR SALES GUIDANCE

Total Company Sales Guidance (unchanged)

($ millions)



Powersports market remains weak

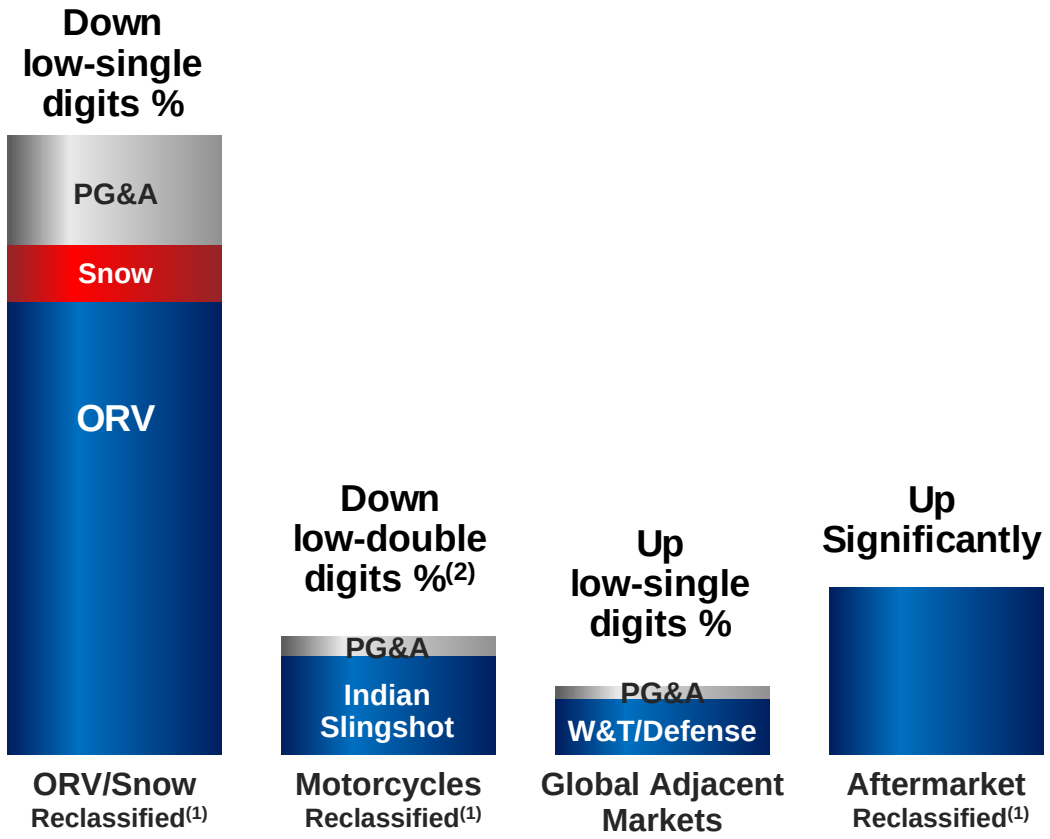
Organic* revenue expectations unchanged +1% to -1%

TAP FY'17 = incremental $665 to $690, unchanged

Victory wind down / FX = ~($175)

* Organic revenue excludes TAP, Victory sales and the effects of FX

Segment Sales Guidance (unchanged)



(1) Full Year 2016 sales, for comparison purposes, have been reclassified to account for the new Aftermarket segment which included aftermarket brands previously reported in their respective segments

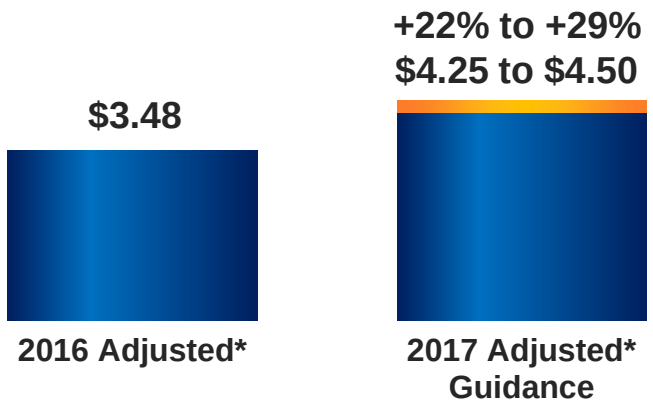
(2) On a comparable basis, motorcycle expectations is "Up low-double digits %" in 2017 after adjusting for Victory wholegood sales reported in 2016

FULL YEAR SALES GUIDANCE REMAINS UNCHANGED

2017 FULL YEAR GUIDANCE – ADJUSTED* EPS

Adjusted* Earnings Per Share Guidance (unchanged)

(diluted)



- **+ $120M non-recurring warranty, legal and other recall related costs**
- **+ TAP accretive in 2017 approx. 25¢ to 30¢**
- **+ VIP positive**
- **– Higher R&D expense**
- **– Higher promotional costs**
- **– Higher variable compensation costs**
- **– Negative FX impact**

*See slide #3 for discussion regarding non-GAAP adjustments excluded from 2017 guidance

Other 2017 Expectations (unchanged)

Gross Margins: increase up to 180 bps

Adjusted operating expenses: increase mid-teens % (slight increase as a % of sales)

Increased R&D – up mid-teens %; quality & innovation

Higher variable compensation costs

TAP operating expense

Income from financial services: down ~10% due to lower dealer inventory levels

Interest expense: more than double due to TAP acquisition funding

Income taxes: approximately 34.5% of pretax profits

Supplemental:

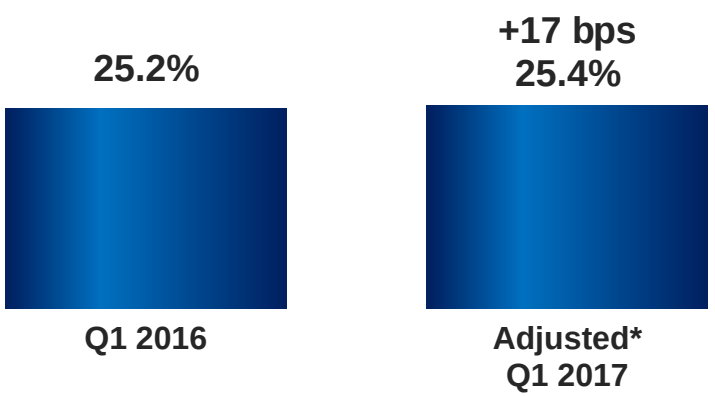
International sales: about flat with 2016

PG&A: up low-single digits %

Diluted shares outstanding: approximately flat

GROSS PROFIT MARGIN GUIDANCE

Adjusted* Gross Profit Q1 2017



- ⬆ Product Mix
- ⬆ VIP
- ⬆ Acquisitions
- ⬇ Promos / Incentives
- ⬇ Warranty

Adjusted GM by Segment	Q1 2016	Q1 2017
ORV/Snow	29.1%	29.4%
Motorcycles*	14.7%	14.9%
Adjacent Markets	27.5%	30.7%
Aftermarket*	30.3%	25.0%

Adjusted* Gross Profit 2017 Guidance



- ⬆ VIP
- ⬆ One-time warranty
- ➡ Product mix
- ⬇ Safety & Quality feature adds
- ⬇ Promos / Incentives
- ⬇ FX

GM by Segment	2017 Expectations
ORV/Snow	⬆
Motorcycles	⬆
Adjacent Markets	➡
Aftermarket	⬆

*See slide #3 for discussion regarding non-GAAP adjustments excluded from 2017 guidance

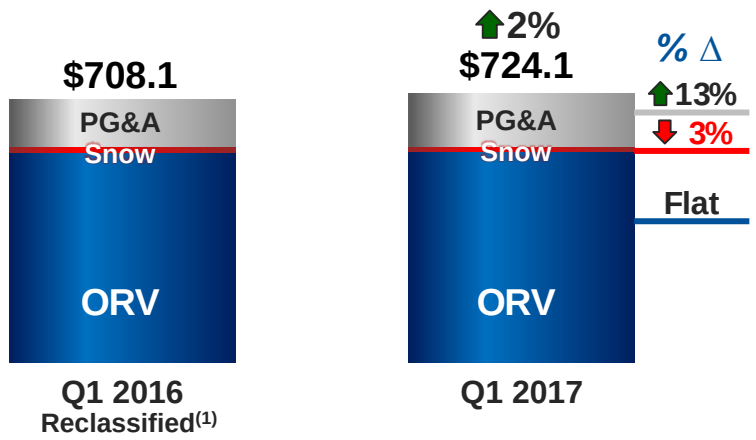
KEY: ⬆ Improvement ⬇ Headwind ➡ Neutral

Q1 2017 GROSS MARGIN IMPROVEMENT DRIVEN PRIMARILY BY VIP & PRODUCT MIX

OFF-ROAD VEHICLES (ORV) / SNOWMOBILES

Q1 2017 ORV/Snow Segment Sales

($ millions)



ORV flat in Q1 2017 vs. Q1 2016

Oil & gas/Ag remains weak

PG&A up 13%; increased part sales

ORV average selling price up 1% in Q1'17

2017 Guidance: Down low-single digits %

Overall ORV industry weak

Promotional levels remain elevated



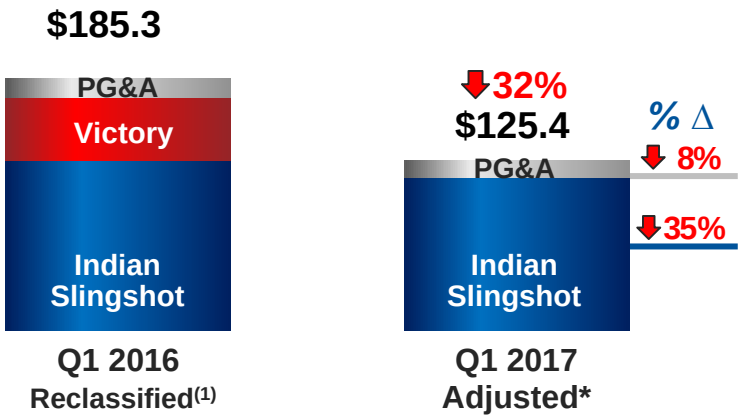
(1) 2016 sales, for comparison purposes, have been reclassified to account for the new Aftermarket segment which included aftermarket brands previously reported in their respective segments

REGAINING FOOTING AS LEADING POWERSPORTS MANUFACTURER

MOTORCYCLES

Q1 2017 Motorcycles Adjusted* Segment Sales

($ millions)



Motorcycle shipments down 32%, as adjusted*

Victory sales in 2016 were $46 million

Indian shipments up

Slingshot sales constricted by recall

Average selling price, excluding Victory, was down 1% in Q1 – product mix

2017 Guidance: Down low-double digits %*

On a comparable basis, motorcycle expectations is "Up low-double digits %" in 2017 after adjusting for Victory wholegood sales reported in 2016

Overall motorcycle market remains weak



* See Non-GAAP Reconciliation on Slide #3

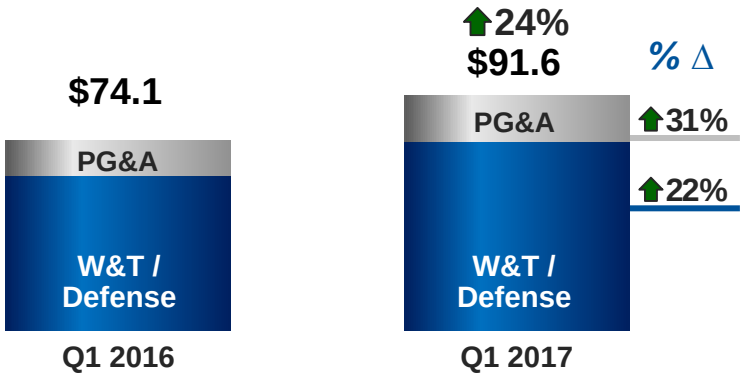
(1) 2016 sales, for comparison purposes, have been reclassified to account for the new Aftermarket segment which included aftermarket brands previously reported in their respective segments

CONTINUED MARKET SHARE GAINS FOR INDIAN MOTORCYCLE

GLOBAL ADJACENT MARKETS (GAM)

Q1 2017 GAM Segment Sales

($ millions)



- GAM ⬆ 24% due to Taylor-Dunn® acquisition and Government & Defense
- Average selling price for GAM was up 3% in Q1'17
- GEM®, *MRZR*® and Work vehicle production consolidating into existing facilities
- <u>2017 Sales Guidance</u>: Up low-single digits %

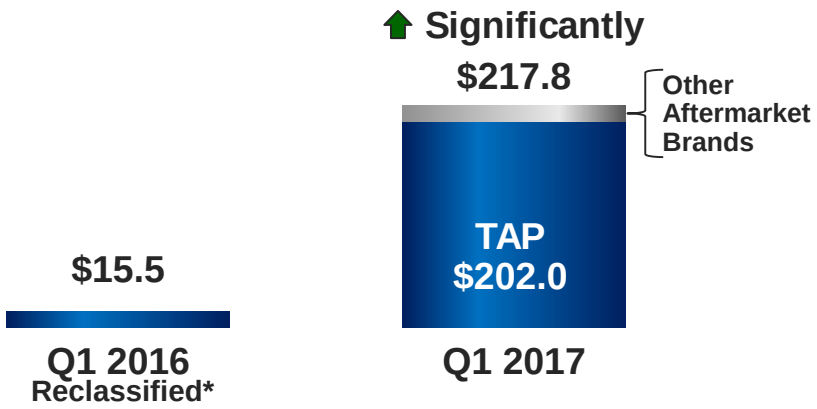


DEFENSE, AIXAM AND TAYLOR-DUNN DRIVING INCREASE IN Q1

AFTERMARKET

Q1 2017 Aftermarket Segment Sales

($ millions)





TAP added $202 million to Q1 sales

Integration on plan, moving Pro Armor® production to TAP facility

2017 Sales Guidance: Up significantly from a full year of TAP sales (unchanged)

*2016 sales, for comparison purposes, have been reclassified to account for the new Aftermarket segment which included aftermarket brands previously reported in their respective segments

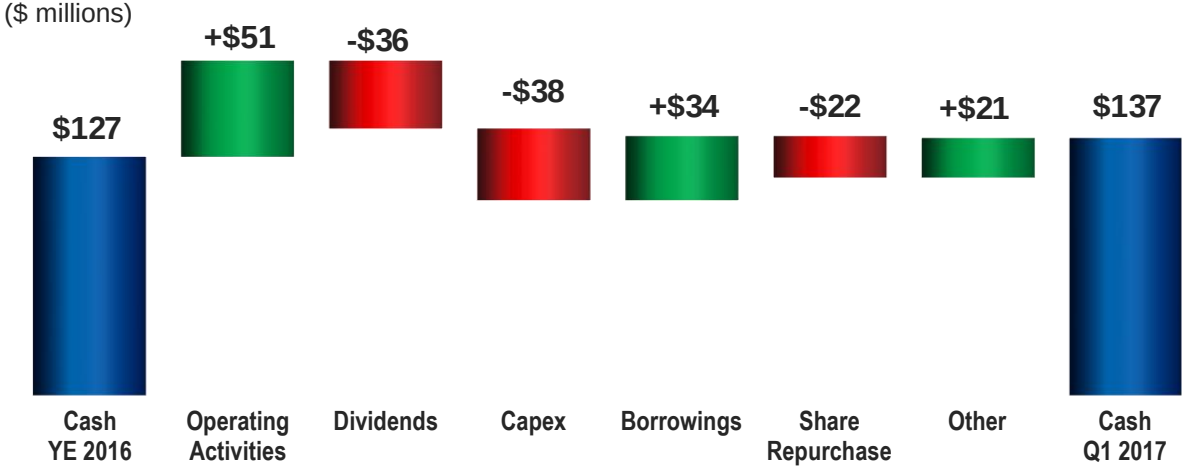
PRO ARMOR Klim KOLPIN TRAIL TECH 509

TAP PERFORMING WELL; INTEGRATION ON TRACK

2017 POLARIS FINANCIAL POSITION

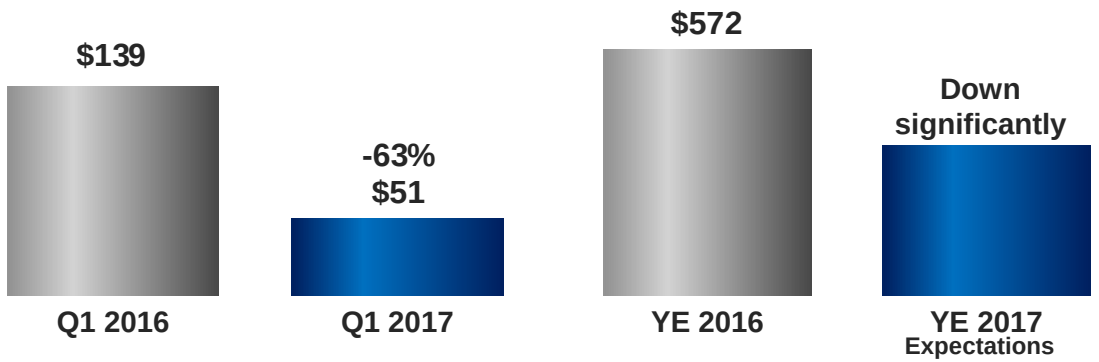
Cash Drivers

($ millions)



Operating Cash Flow

($ millions)



Capital Summary March 2017

($ millions)

		Variance to Mar 2016
Cash	$ 137	-6%
Debt /Capital Lease Obligations	$1,178	+121%
Shareholder's Equity	$ 836	-10%
Total Capital	$2,014	+38%
Debt to Total Capital	*58%*	*+22 bps*

Q1 2017 Summary

Operating cash flow down, as expected

Factory inventory up sequentially from Q4, ahead of Spring selling season

FY 2017 Expectations

Cap Ex expected to be lower than 2016

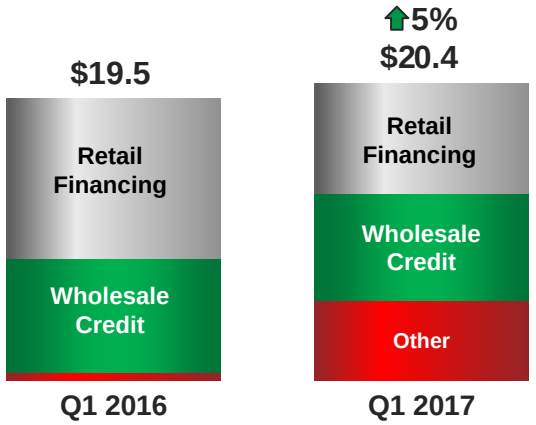
Operating cash flow expected to be down significantly – timing of accrual payments and Victory wind down

FINANCIAL POSITION UNCHANGED – SOLID

INCOME FROM FINANCIAL SERVICES

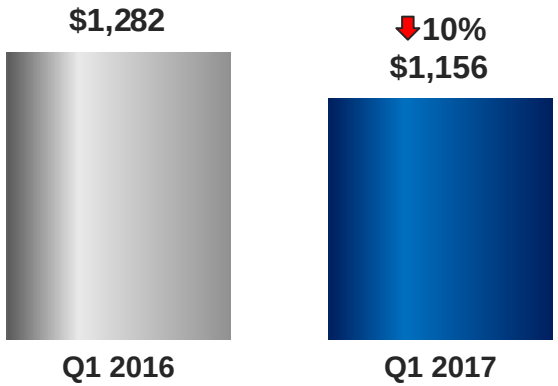
Income from Financial Services

($ millions)

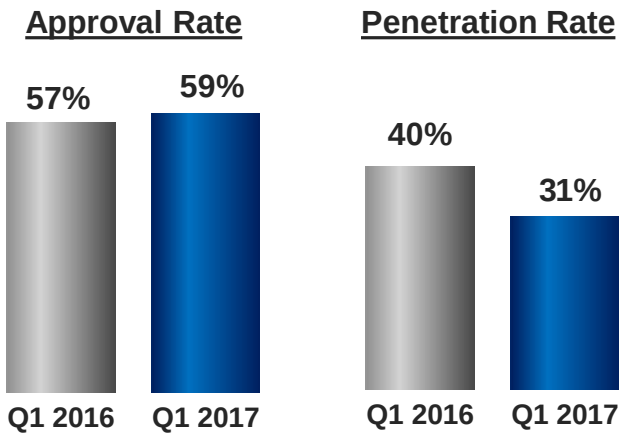


Wholesale Credit PA Receivables

($ millions)



Retail Credit



Polaris Acceptance (PA) receivables down, in-line with dealer inventory

Q1 income from financial services up – extended service contracts

FY 2017 Guidance: Income from financial services down about 10%, unchanged

PORTFOLIO REMAINS HEALTHY

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POLARIS INDUSTRIES INC.



Scott W. Wine, Chairman & CEO

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CLOSING COMMENTS

Decent start to an important year

ORV poised for improvement:

Advances in innovation, inventory, sales & marketing focus

Indian momentum continues into Spring selling season

Enhanced quality and safety process maturing

TAP represents solid growth potential



POSITIVE START TO THE YEAR

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POLARIS INDUSTRIES INC.



Thank You

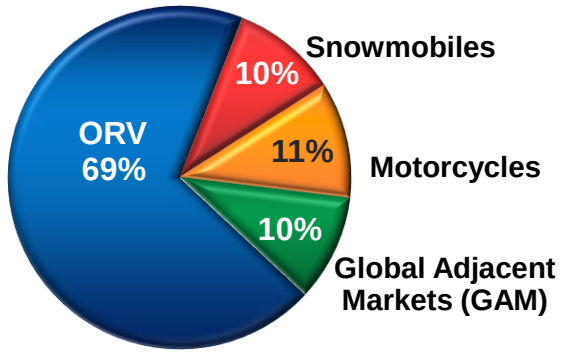
Questions?

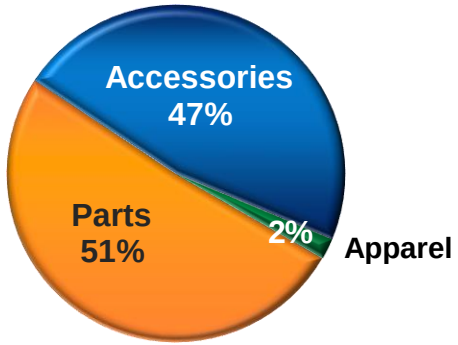


Q1 2017 SUPPLEMENTAL SALES PERFORMANCE

Core Parts, Garments & Accessories (PG&A)*

Q1 Sales ⬆13% to 178.8 Million

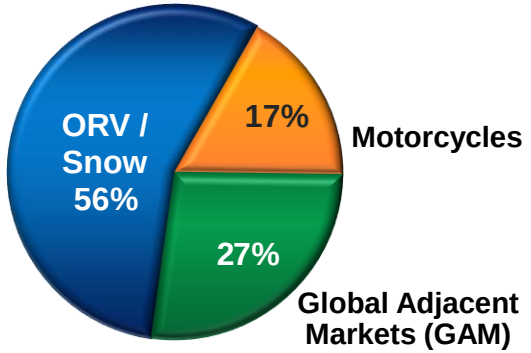


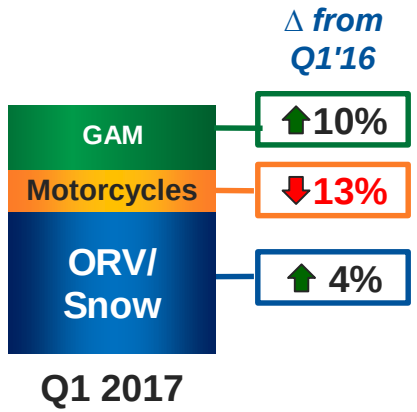


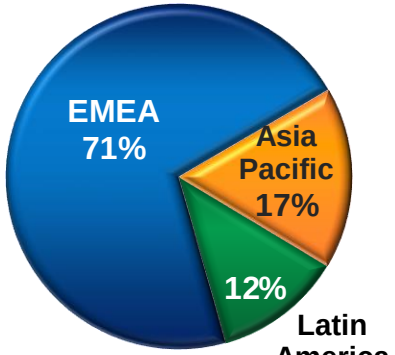
*Based on GAAP reporting; does not include Aftermarket

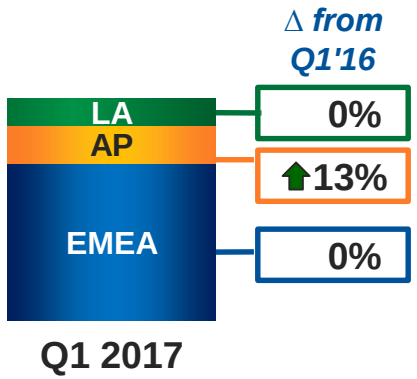
International**

Q1 Sales ⬆2% to $166.2 Million









**Based on GAAP reporting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