POLARIS INDUSTRIES INC. *2003 Annual Report*

50 *years* *and Counting*

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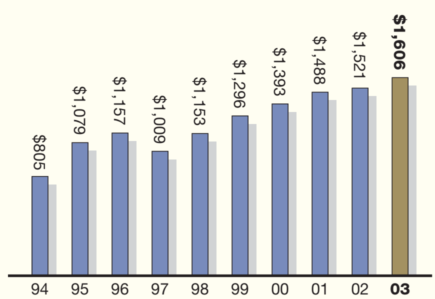
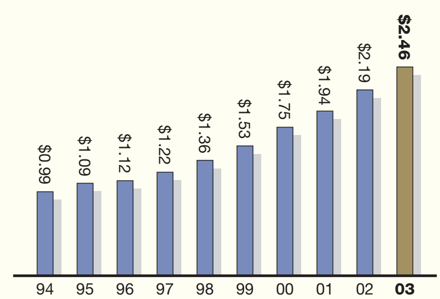
POLARIS INDUSTRIES INC. is headquartered in Medina, Minnesota, and designs, manufactures and markets innovative, high-quality, high-performance motorized products for recreation and utility use. • Our product lines consist of all-terrain recreational and utility vehicles (ATVs), snowmobiles, personal watercraft (PWC), motorcycles and related parts, garments and accessories (PG&A). Polaris engineering, manufacturing and distribution facilities are located in Roseau, Minnesota; Osceola, Wisconsin; Spirit Lake, Iowa; Vermillion, South Dakota; Passy, France; Ballarat, Victoria, Australia; Winnipeg, Manitoba; Gloucester, United Kingdom; Askim, Norway; Östersund, Sweden; and Hudson, Wisconsin (joint venture with Fuji Heavy Industries, Ltd.). • Our wholesale finance company, Polaris Acceptance, is a 50/50 joint venture. Polaris products are sold through a network of nearly 2,000 dealers in North America, five subsidiaries and 40 distributors in 126 countries outside North America. • Polaris common stock trades on the New York Stock Exchange and Pacific Stock Exchange under the symbol PII, and the Company is included in the S&P SmallCap 600 stock price index.



Sales
(dollars in millions)



Net Income per Share*
(dollars)

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

	2003	2002	% Change
FOR THE YEAR			
Sales	**$ 1,605,869**	$ 1,521,282	6%
Operating income	**166,721**	152,934	9
Net income	**110,929**	103,592	7
Percent of sales	**6.9%**	6.8%	
PER SHARE			
Net earnings – diluted	**$ 2.46**	$ 2.19	12%
Dividends paid	**0.62**	0.56	11
Net book value	**7.09**	5.87	21
FINANCIAL POSITION			
Total assets	**$ 671,352**	$ 608,646	10%
Stockholders' equity	**319,378**	277,106	15
Average shares outstanding – diluted	**45,056**	47,232	– 5
OTHER INFORMATION			
Property and equipment (net)	**$ 176,421**	$ 169,596	4%
Capital expenditures	**61,436**	56,575	9
Depreciation and amortization	**54,780**	57,527	– 5
Borrowings under credit agreement	**18,008**	18,027	0
Return on average shareholder equity	**37%**	40%	
Average dividend yield	**1.8%**	1.7%	
Number of employees – average	**3,380**	3,509	– 4

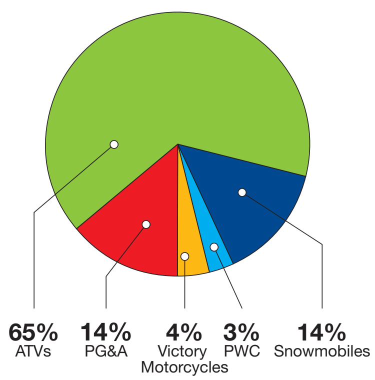
NOTE: Shares outstanding and earnings per share data have been adjusted throughout the annual report to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

* 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 of $61.4 million, or $0.77 per diluted share, has been excluded from the 1998 financial data presented.

POLARIS PRODUCTS
At a Glance

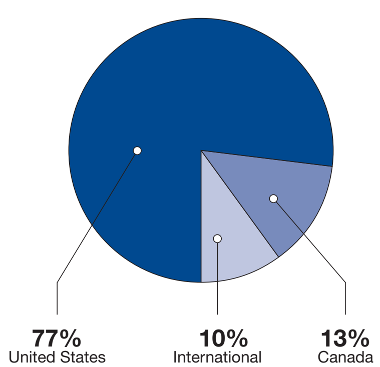
Forward-looking statements made herein involve certain important factors that could change and cause actual results to differ materially from those anticipated. See Management's Discussion and Analysis of Financial Condition and Results of Operation beginning on page 12 of the Form 10-K included with this report.

PERCENTAGE OF SALES BY PRODUCT LINE



$1.606 Billion in 2003 Sales
Polaris sales reflect a diversified mix of motorsports products for work and recreation in all climates and seasons.

PERCENTAGE OF SALES BY GEOGRAPHIC AREA



Worldwide Opportunities
While the United States is the world's largest market for Polaris products, international markets represent a significant growth opportunity.

ALL-TERRAIN VEHICLES (ATVS)

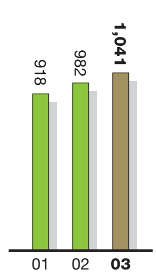
Polaris introduced the first American-made ATV in 1985 and ever since we have pioneered such market-transforming improvements as automatic transmissions, long travel/independent rear suspensions, full floorboards, single lever hydraulic braking, on-demand AWD (true 4-wheel drive) and the industry's first electronic fuel injected 4x4. Today we dominate both the youth segment and the large 4-wheel drive segment with our Sportsman™ product line. Our *RANGER*™ off-road utility vehicle line has redefined the market with its industry-leading power and ride quality and our Predator™ sport quad takes handling to another level.

2003 Overview

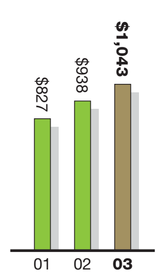
The $6 billion ATV industry recorded world-wide retail sales of over one million ATV units, up six percent from 2002. The industry became increasingly competitive during the year as some competitors fought to maintain market share and reduce dealer inventory. Polaris introduced several exciting new products in 2003, specifically, the All-Terrain Pickup (ATP) named "2004 ATV of the Year" by *ATV Magazine*, the *RANGER TM* (taskmaster), and the new Sportsman 700 EFI (electronic fuel injection), the first in the industry. In addition, we have several limited edition models that will be introduced in conjunction with our 50th anniversary celebration in 2004.

Primary Competitors

- Arctic Cat
- Bombardier
- Honda
- John Deere
- Kawasaki
- Suzuki
- Yamaha



Worldwide Industry
(units in thousands)



Historical Sales
(dollars in millions)

VICTORY MOTORCYCLES

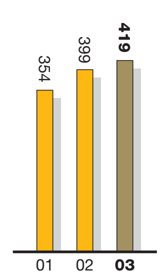
For the 2004 model year, we introduced the new Victory Kingpin™ and the Limited Edition Arlen Ness Signature Series Vegas™ to the Victory lineup. The new Kingpin replaces the previous V92C model in the Classic Cruiser category of the motorcycle market and offers better performance, styling and a smoother ride. The Arlen Ness Signature Series is a limited edition motorcycle customized by Arlen Ness. The Custom Order Program continued for model year 2004 allowing customers to go online and custom configure a bike choosing from over 3,000 combinations.

2003 Overview

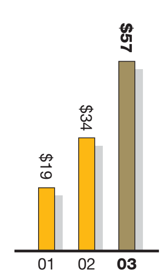
Motorcycle sales in the U.S. continued to expand in 2003. The cruiser and touring segments of the United States motorcycle market, where Victory currently participates, experienced five percent growth in 2003 over 2002 for both segments combined. Victory continued to expand its presence through major motorcycle shows and rallies, plus an increased number of Victory Rider's Association rides. Polaris' sales increased 70 percent in 2003 over 2002, as the Victory brand continued to build acceptance in the industry.

Primary Competitors

- Harley-Davidson
- Honda
- Kawasaki
- Suzuki
- Yamaha



U.S. Industry
(units in thousands)
Cruisers and Touring



Historical Sales
(dollars in millions)

SNOWMOBILES

Polaris pioneered snowmobiles 50 years ago, and we are a recognized leader in the snowmobile industry. We maintain our leadership position by continually offering product and program innovations and

competitively priced models covering all market segments: trail sport, two-up touring, trail luxury, performance, deep snow and kid's.

2003 Overview

Approximately 186,000 units were sold worldwide by the snowmobile industry during the season ended March 31, 2003, down nine percent from the previous season. Poor snowfall and reduced riding in the previous season was the reason for the decline. The lack of significant snowfall last season resulted in a planned overall lower production schedule for Polaris for the 2003 calendar year. As a result of the conservative production schedule, dealer inventories of Polaris snowmobiles at December 31, 2003 were significantly lower than a year ago putting the Company in a good position when snowfall returns to more normal levels. Season to date through January 2004 the snowfall has been better than last year, which should be favorable for the snowmobile industry in general and Polaris' snowmobile business in 2004.

Primary Competitors

- Arctic Cat
- Bombardier
- Yamaha

PERSONAL WATERCRAFT (PWC)

Polaris has been a leader in innovation and bringing environmentally friendly models to the PWC market since 1992. First introduced in 1998, our Direct Injection models comply with EPA 2006 standards and offer industry leading

fuel economy. In 2003 we introduced the MSX® line of PWC which includes two models with turbo-charged four-stroke engines, the cleanest and most technologically advanced engines available. All of our runabout models are rated for three passengers, the growing heart of the market. In 2003, Polaris also launched two Sport Boat models with contemporary design, aggressive styling and luxurious details to complement its PWC lineup.

2003 Overview

The worldwide PWC market was flat in 2003 compared to 2002. Momentum seems to be swinging toward equal access to waterways for all watercraft as the PWC industry continues to move toward cleaner, quieter, family-oriented machines. In 2003, Polaris' new MSX 140 was named "Watercraft of the Year" by *WaterCraft World* magazine based on innovation, market appeal and long-term impact on the industry.

Primary Competitors

- Bombardier
- Honda
- Kawasaki
- Yamaha

PARTS, GARMENTS AND ACCESSORIES (PG&A)

Pure Polaris® PG&A complete the riding experience. We have designed and engineered PG&A to enhance the performance of Polaris products ever since we introduced

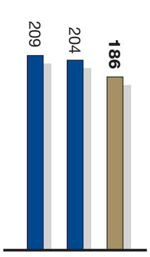
the first snowmobile in 1954. Pure Polaris offers more than 40,000 items consisting of service parts, a diverse array of accessories and Polaris-designed clothing products tailored to meet the needs of the Polaris rider. Pure Polaris also offers retail credit, extended service contracts and insurance products to facilitate the consumer's buying experience.

2003 Overview

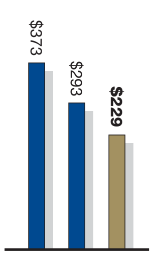
Pure Polaris PG&A sales were up 10 percent in 2003 to $223 million. The business was positively impacted by growth primarily in the ATV product line and improved daily fill rates to over 97 percent of all orders received. Pure Polaris operating margins remained the highest in the Company. We anticipate 2004 to be another good year for PG&A with all product lines expecting growth.

Primary Competitors

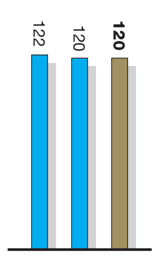
- Parts Unlimited (aftermarket distributor)
- Powersports OEM's
- Tucker Rocky (aftermarket distributor)



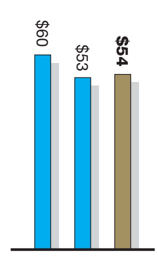
Worldwide Industry
(units in thousands)
Season ended March 31



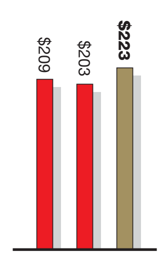
Historical Sales
(dollars in millions)



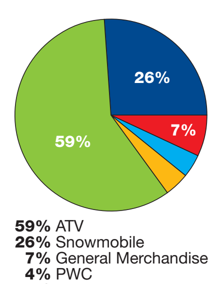
Worldwide Industry
(units in thousands)
Season ended Sept. 30



Historical Sales
(dollars in millions)



Historical Sales
(dollars in millions)



PG&A Product Mix by Business Line

LETTER TO INVESTORS *from the CEO*

2003 was another record year for Polaris. We were pleased with the results:

- Sales grew by $85 million, or six percent, to a record $1.6 billion.
- Net income grew by seven percent to $111 million. Earnings have increased for 15 consecutive years, and for the last 23 consecutive quarters, we've reported sales and EPS growth. Earnings per share increased by 12 percent to $2.46.
- Return on shareholders' equity was 37 percent, and we reduced our debt to total capital ratio to five percent.
- Our total yield to investors was 54 percent, compared to 29 percent for the S&P 500 and 47 percent for the Russell 2000. In 2003 we saw the best performance for the stock price in the history of the Company.

These numbers reflect some real accomplishments. Driving the improvement was a great year from our *RANGER*, Victory and International divisions. The parts, garments, and accessories business had a nice rebound, and we had another solid performance from our ATV division. There were a few setbacks, too. The war in Iraq delayed the economic recovery. The personal watercraft and snowmobile markets continued to be tough, and we lost our number-one market share position in sleds after 13 years. These are temporary setbacks, however. Our formula of delivering innovative products with high quality and low cost operations has served us well, and we believe it remains the key to continued, dependable performance.

The ATV business remains strong, competitive and vibrant. At 65 percent of our sales, ATVs are the heart of the Company. Last year showed the resiliency of this segment of the leisure market, with worldwide industry growth of six percent, despite the war and slow first half. Polaris remains the #2 player in the market, despite significant challenges from larger companies. The reason for our success is our innovative, dependable products, which have been broadly recognized in the industry. This year we again received the "ATV of the Year" award for the new All-Terrain Pickup, and our Predator was recognized as the "Sport ATV of the Year" as well. We're not yet the largest selling ATV company, but we are doing the right things to ensure the business will grow through the rest of the decade. We expect the battle to be tough as every competitor sees potential opportunity in this attractive segment of the power sports industry.

THOMAS C. TILLER *President and Chief Executive Officer*

We will rebound from the recent disappointing years in snowmobiles. Sales declined by 22 percent in 2003, about the same as the previous snow-poor winter. Slipping out of the number-one market share position for worldwide sled sales was a big disappointment. Over the last several years, we concentrated our investment in ATVs while snowmobile competitors gained ground on us with new snowmobile products. Additionally, in 2003 we were very aggressive in reducing our snowmobile production to reduce dealer inventory. Following a good winter in 2003/2004, we have begun to launch our counter-attack, introducing two new sled platforms that will redefine rider expectations for performance, comfort, handling, reliability and environmentally-friendly technology. We expect strong growth in snowmobiles in 2004 following a good winter with low dealer inventories and excellent new products.

Victory is evolving into a stronger business. We've come a long way with Victory in the last couple of years, with motorcycle sales growing 70 percent or more for two straight years, despite the poor economy. The Victory Vegas was an unqualified hit, and took every major cruiser motorcycle award amid the hoopla surrounding Harley Davidson's centennial. We are benefiting from high interest in our Web-based Victory Custom Order program, and Victory is driving strong sales of related accessories and merchandise — the sign of a brand that's gaining traction. We expect the Victory momentum will continue to build in the years to come.

1954 The beginning of a legacy
The Hetteen brothers and David Johnson named their company after Polaris, the North Star, to call attention to their location in the northern United States.

1954 Founding partners
The three Polaris founders before the birth of the machine that would change their lives. From left: Allan Hetteen, Edgar Hetteen and David Johnson.

In 2003 we saw another year of similar performance for personal watercraft. The PWC market was about flat in 2003, but with a continued uncertain regulatory environment, sales aren't ready to resume the growth rates we saw in the early 1990s. We believe environmentally friendly multi-passenger watercraft represent the future of the market, and we continue to focus our efforts there. Our stylish new entry in the category, the MSX, won distinction as personal watercraft of the year for the first time in our history. We expect 2004 to bring modest growth with the initial shipments of our new four-stroke MSX models.

Parts, Garments and Accessories resumed growth in 2003. After a disappointing 2002, we took a number of actions that spurred PG&A to 10 percent sales growth. We provide dealers with product education and business training that encourages them to see PG&A as one of their store's profit centers. Armed with information about retail trends and their own sales history, we help them identify and merchandise the "power" items that account for the bulk of their sales. A Dealer Loyalty Program rewards top-selling PG&A dealers and provides levels of incentives for others to increase their sales.

2004 — A "Golden Year" for Polaris

A 50th anniversary invites reflection on this Company's wonderful heritage — and on its future. Since 2004 also marks my sixth year with Polaris, I'd like to offer some perspective on where we have been and where we are going.

Over the last several years, we steadily grew the Company, increased margins, strengthened the balance sheet and invested in the future. We improved our people, products and processes across the board. We injected new excitement into the Polaris brand. And we consistently rewarded our investors with returns well above market averages. This all occurred against a relatively tough backdrop: a sluggish economy, uneasy financial markets, aggressive competition, the war against terror, poor snowfall for several years, and even a flood at our largest facility. Despite the myriad of challenges, we have delivered every single quarter of every year without exception.

While we've had a good run, I firmly believe the best is in front of us. Let's look at some of the reasons why:

The external environment is looking better. An improving economy bodes well for every one of our businesses, and I expect that growth over the next several years will be more balanced across the Company rather than being driven primarily by ATVs. Snowmobiles are coming back, Victory is growing rapidly, Financial Services and our International operations continue to grow and PG&A continues to produce great returns and solid growth.

Our continued focus on improved quality will keep paying off. We're in a very competitive global sourcing environment, where quality, cost and speed matter more each day. To succeed, manufacturers must remain flexible while paying constant attention to cost and quality. This is how Polaris runs its business.

We will continue to invest aggressively in quality improvement because building higher quality products pays off in multiple ways. It costs less to build quality designs on an efficient production line, which gives us added pricing flexibility. With fewer manufacturing problems, products reach the market faster, and there's less waste and less capital tied up in work in process. Warranty costs go down. The greater reliability and performance make dealers and customers happier, along with building loyalty and a positive reputation with new buyers, too.

Our dealer network gets stronger every year. Developing a top-flight dealer network is a decade-long process made up of many incremental steps. We're only part way to where we want to be, but there are some encouraging signs of progress. We expanded our Dealer Council to better reflect the wider geographic and product diversity that came as we grew. The council has been effective in testing and implementing policy changes, such as a new ordering process, dealer incentive programs and promotional ideas.

Overall, our sales force is more engaged with the individual dealer's business by helping improve inventory levels, upgrading showroom appeal and making better use of training and promotional resources. We have reduced territory sizes for our sales team to give each dealer more individual attention. A value rebate program pays incentives to dealers that perform against several measures of critical business practices. We're rewarding the better dealers who put these business best practices in place.

We're building one-to-one relationships with customers and dealers. We've been able to expand margins by making better use of information — connecting with customers, dealers, the sales force and supply chain — using the Internet to drive speed and quality at a very low cost. Our dealer extranet cost effectively delivers dealers more high value business information, ordering, training and promotion resources. Through our Web site, we're establishing individual relationships with our existing customer

1954 Roseau shop *Several Minnesota towns tried, without success, to lure the Company away from its modest home in Roseau, but Edgar Hetteen turned down all offers. By 1954 it was clear that Hetteen Hoist & Derrick, soon to become Polaris Industries, was in Roseau to stay.*

1954 Farm box truck *The innovators of Polaris responded to the needs of local farmers by designing and manufacturing a heavy-duty "farm box" to insert in the back of a pickup truck.*

base, offering targeted promotions, gathering reactions to new product concepts and building excitement around new product launches. We saw significant, measurable sales impact in 2003, and there's certainly potential for more.

Innovative new products will keep coming in wave after wave. We're following upon last year's record-setting new product introductions with yet another generation of innovative machines, led in 2004 with the best snowmobile ever built. We'll also break ground on our Polaris Technology Center in Wyoming, Minnesota, which is dedicated to making certain our next 50 years of vehicles reach the market faster with absolutely world-class quality at competitive prices. The new center won't be a think tank or white lab coat ivory tower. It will be a practical facility where smart people have the tools and the space to design and test the best recreational vehicles in the world. The new center will be a magnet for the best product development teams in the industry.

The 50th anniversary push will set new benchmarks. Our upcoming anniversary celebration is not a history project — it's a deliberate strategy to accelerate many of the initiatives important to our future. Most importantly, it gives us a chance to say thanks to the hundreds of thousands of loyal Polaris customers in a wide variety of ways. It also provides an unparalleled platform from which to launch this year's new products. It provides dealerships with the impetus to upgrade facilities and experiment with new promotions. The 50th anniversary also creates opportunities to connect with our communities, to cement customer loyalties, and create new bonds among different groups who share a love for The Way Out.®

Our balance sheet gives us the flexibility to act quickly. Polaris has a very attractive debt-to-equity ratio, consistent generation of cash flow and productive factories that generate tremendous operating leverage. This strong balance sheet gives Polaris great flexibility to deal with the surprises that are inevitable in a complex world. We face significant competitive threats — strong existing competitors, new entrants, globalization, regulatory hurdles, and a world which remains relatively unpredictable. If the last six years have taught us anything, it is to be prepared for the unexpected. We are.

Respect for the environment will eventually prevail. Polaris has taken a leadership role in developing environmentally-friendly vehicles that are quieter, cleaner and more fuel-efficient. They are built in model factories with processes focused on reducing waste. We advocate safe, responsible use by all our riders, both through our participation in industry associations and through programs like the safety training and information initiative conducted by Polaris ATV dealerships. We've worked with regulators to ensure that national parks are open to all and that trails and waterways provide ample opportunity for riders to enjoy their sport. The Way Out appeals to all kinds of people, and we believe with a reasonable, respectful approach, we can all find room to experience the great outdoors.

International markets offer long-term potential. Polaris spent its first 50 years building a successful North American company. Global companies aren't built in a day — or even a decade — but I see encouraging progress. Sales from outside North America now account for 10 percent of our total, up from six percent two years ago. Energetic new teams in France, Great Britain, Scandinavia and Australia are producing sales growth of 50 percent and more. With more direct relationships to dealers in these countries, we will be closer to our customers, which fuels innovation.

Our people will distinguish us in any environment. Of all the successes we've enjoyed over the last six years, I'm most proud of how the people of Polaris have responded to all of these challenges. We've long had a phenomenal base of dedicated outdoor enthusiasts who make the Polaris workforce the most productive in the industry. They are not just employees — they are owners of the Company — and act like it every day. Polaris innovation, cost and quality are measurably better because the teams working on them are significantly better. Our success helps attract even more of the best people, the best dealers and the best suppliers to drive future success.

We head into our 50th anniversary coming off another record year. We are determined to build on this legacy, no matter what the future holds. The celebration events will provide many opportunities throughout the year for me to personally thank our employees, dealers, customers, suppliers, business partners and shareholders for their support. I hope you will join us to experience first-hand this community of outstanding Polaris people.

Thomas C. Tiller

THOMAS C. TILLER
President and Chief Executive Officer

1954 Polaris Straw Cutter and Spreader *David Johnson, Allan Hetteen and Edgar Hetteen pose with the Polaris Straw Cutter and Spreader, the machine that, more than any other, kept them in business during Polaris' early years.*

1956 Number One *Wayne Olsen and his dog Sport take a ride on Number One, the first Polaris snowmobile ever made. The machine weighed about 1,600 pounds and moved across the snow at about four miles per hour.*

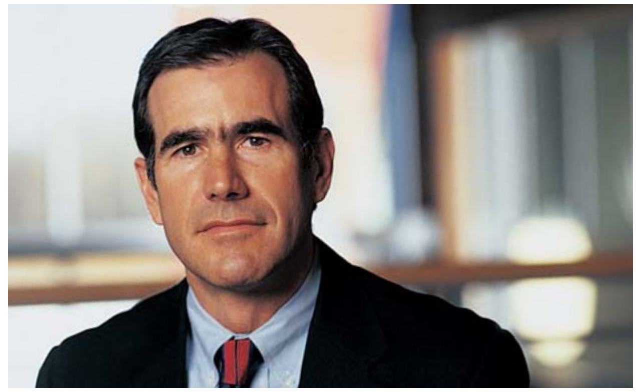
LETTER TO INVESTORS *from the Chairman*

A Passion for Excellence and Integrity for 50 Years
Polaris has a long-standing tradition of engaged and knowledgeable Board members who are passionate about the Company, its business and the best interests of its shareholders. Additionally, we respect the importance of our customers, employees, dealers, suppliers and communities in which we operate.

Our Directors share their time and knowledge generously. In 2003 the Board of Directors met five times and each of those meetings was preceded or followed by an executive session without management in attendance, chaired by myself or another Director. Much of the activities of the Board in providing guidance to management take place within our Committees under the oversight of the Board. During 2003, our Audit Committee met eleven times, our Compensation Committee met seven times, our Corporate Governance and Nominating Committee met three times and our Technology Committee met three times. In 2003, the Board held a two-day strategy session along with management to discuss the longer term strategic growth opportunities for the business. Each of our Directors participated on a regular basis in both Board and Committee meetings and dedicated a significant amount of time and energy to Polaris outside of formal meetings throughout the year.

In late 2003, the New York Stock Exchange finalized standards for corporate governance that embody the philosophy and practices of the Polaris Board of Directors. Polaris' Board of Directors is predominately composed of Directors who are independent and each of the members of our Audit, Compensation and Corporate Governance and Nominating Committees meet all applicable standards for independence. All Directors, including those serving on our Audit Committee, qualify as "financially literate" as described in our Corporate Governance Guidelines and the NYSE rules and two of the three members of our Audit Committee have also been determined by the Board to be "Audit Committee Financial Experts" as that term is defined by the SEC.

Polaris lives by our Corporate Governance Guidelines, our Code of Business Conduct and Ethics and our Committee charters, each of which are available in the investor relations section of our web site at www.polarisindustries.com. We also have stock ownership guidelines for each non-employee Director, our Chief Executive Officer and our other executive officers that are described in the proxy statement for our annual meeting of shareholders. Each of our Directors and executive officers that have held office since January 2003 currently satisfy those guidelines and those that have joined Polaris more recently are well on the road to meaningful ownership of Polaris stock.



GREGORY R. PALEN *Chairman*

In 2003, Annette Clayton, the President of Saturn Corporation, became a Polaris Director and she has brought to the Board of Directors an outstanding background in production, quality and engineering management. At this year's annual meeting of Polaris shareholders, Dick Stonesifer will formally retire as a member of the Polaris Board. All of us at Polaris have greatly benefited from Dick's experience, commitment and contributions to Polaris.

All Polaris Directors enjoy a strong connection to the outdoors, ride Polaris products and have a first-hand appreciation of and commitment to the excitement, freedom and satisfaction that Polaris delivers to our customers. Polaris Directors are part of a Polaris team that is committed to building an excellent business with integrity. We are all proud of our association with Polaris and its 50-year legacy.

GREGORY R. PALEN
Chairman

1956 Small beginning
By May 1956, Polaris employed about three dozen people and reported sales of more than $400,000.

1957 Pol-Cat
Before settling on the name Sno-Traveler, the Polaris founders called their machines Sno-Cats and Pol-Cats.

1957 Sno-Travelers *During the first few years of snowmobile production, Polaris was content to call all of its snowmobiles Sno-Travelers. But soon the Company started differentiating among models with the Ranger, Trailmaster and Trailblazer.*

Board of Directors *(left to right)*
J. Richard Stonesifer, R.M. (Mark) Schreck, Thomas C. Tiller, Andris A. Baltins, Gregory R. Palen, Richard A. Zona, Annette K. Clayton, John R. Menard, Jr., William E. Fruhan, Jr.

BOARD OF DIRECTORS

THOMAS C. TILLER
President and Chief Executive Officer of Polaris Industries Inc.
Committees: Executive,* Technology

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

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

ANNETTE K. CLAYTON
President of Saturn Corporation
Committees: Audit, Technology

WILLIAM E. FRUHAN, JR.
Professor of Business Administration – Harvard University
Committees: Audit, Compensation, Corporate Governance and Nominating

JOHN R. MENARD, JR.
President of Menards, Inc.
Committee: Technology

R.M. (MARK) SCHRECK
President, RMS Engineering and retired Vice President of Technology, GE
Committees: Corporate Governance and Nominating, Technology*

J. RICHARD STONESIFER
Retired President and Chief Executive Officer of GE Appliances
Committee: Compensation*

RICHARD A. ZONA
Chief Executive Officer, Zona Financial and retired Vice Chairman of U.S. Bancorp.
Committees: Audit,* Compensation

*Committee Chair

CORPORATE OFFICERS

THOMAS C. TILLER
President and Chief Executive Officer

JEFFREY A. BJORKMAN
Vice President – Operations

JOHN B. CORNESS
Vice President – Human Resources

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

MARY P. McCONNELL
Vice President – General Counsel

KENNETH J. SOBASKI
Vice President – Sales, Marketing and Business Development

GENERAL MANAGERS

MARK E. BLACKWELL
General Manager – Victory Motorcycles

MICHAEL D. DOUGHERTY
Director – International Operations

WILLIAM C. FISHER
Chief Information Officer

MICHAEL P. JONIKAS
General Manager – Utility Vehicles

RICHARD A. KOBES
General Manager – Personal Watercraft

BENNETT J. MORGAN
General Manager – All-Terrain Vehicles

ROBERT R. NYGAARD
General Manager – Snowmobiles

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

1950s–60s Staying busy
To keep the business afloat during the late 1950s and early 1960s, Polaris workers manufactured a variety of products other than snowmobiles and performed whatever repair jobs they could find.

1958 Manitoba
A Polaris-made Autoboggan attracts a crowd of admirers at the annual Trappers Festival in The Pas, Manitoba.

A half-century of consistent performance

23 consecutive quarters of increasing sales and earnings. 15 years of continuous earnings growth. A history of outperforming the market.

Our performance is fueled by…

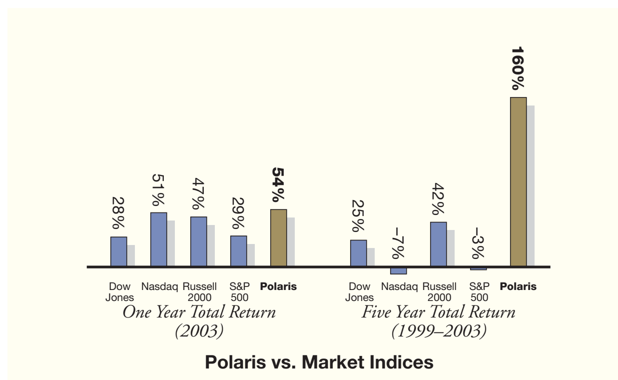
Innovation. From pioneering the snowmobile, to introducing automatic transmissions on ATVs, to unveiling an online custom order program for motorcycles, our reputation is built on "industry firsts." Riders expect innovation from Polaris, and we deliver year after year.

Quality. We continually strive to improve the quality of our products. Every inch of our factory production lines is engineered to produce vehicles our riders can rely on.

Low-cost production. Our product designs, facilities, processes and supply chain undergo annual reviews for efficiency improvement. This unrelenting focus on delivering quality for low cost increases gross margin — and our competitive advantage.

Diversification. We offer products for all seasons, regions and passions for The Way Out. New products continue to broaden our appeal and diversify our sales base, providing stability in the face of economic fluctuation.

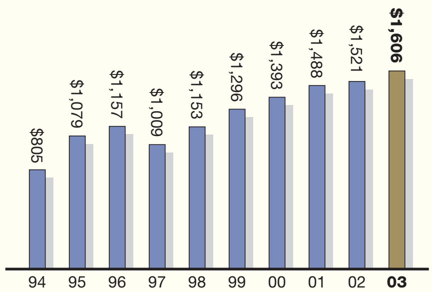
Flexibility. Conservative accounting, strong cash flow and minimal debt help maintain a clean balance sheet. We use this financial flexibility to invest in our business, weather tough conditions and exploit new opportunities.



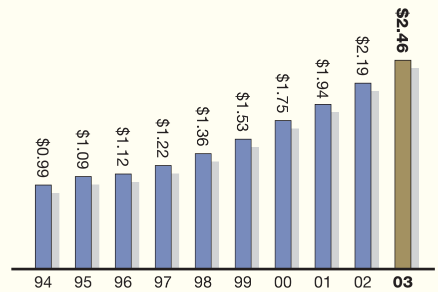
History shows that Polaris not only weathers negative economic conditions, but accelerates earnings coming out of a recession.

1960 Alaska *Edgar Hetteen, Erling Falk and Rudy and Bessie Billberg embarked on a 1,200-mile trip across Alaska to prove the Polaris Sno-Travelers were rugged and reliable. Throughout their journey, the adventurers encountered children who marveled at the "sleds without dogs."*

1960 Alaska *Children from one of the villages along the Alaskan trail gape at the strange machine.*

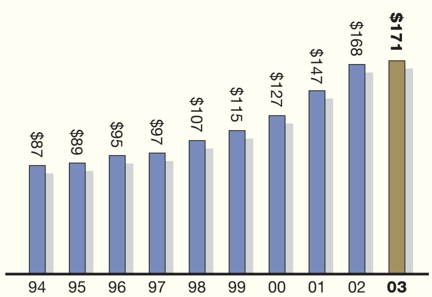


Sales
(dollars in millions)

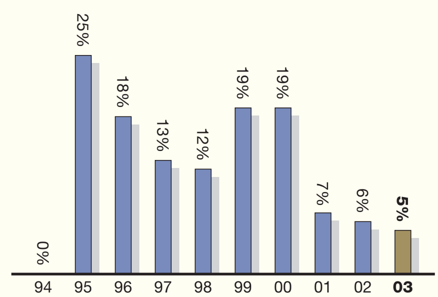


Net Income per Share (1)
(diluted)

Polaris' strong record of sales and earnings growth is a testament to our strong, predictable and diversified core businesses.



Cash Flow Provided (1, 2)
(dollars in millions, before changes in current operating items and deferred taxes)



Debt to Total Capital Ratio

Strong cash flow and minimal debt give Polaris financial stability, as well as the flexibility to invest in new opportunities.

The past 50 years have been great. The next 50 should be even better.
What makes Polaris an attractive investment?

Let us count the ways…

(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 of $61.4 million, or $0.77 per diluted share, has been excluded from the 1998 financial data presented.

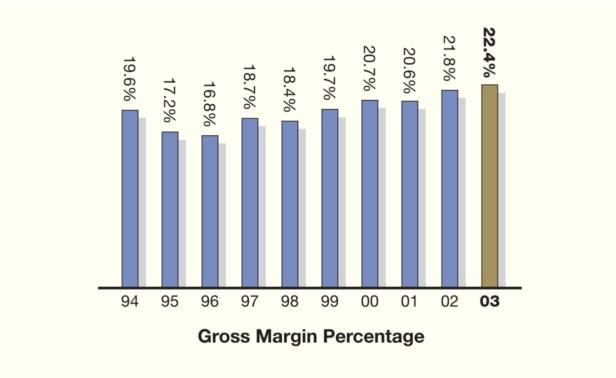
(2) A reconciliation of the Company's calculation of cash flow provided to the most directly comparable cash flow measure, as required by Regulation G, appears on page 23 of this Annual Report.

1960 Edgar Hetteen *Edgar Hetteen poses on one of the machines that carried him across Alaska.*

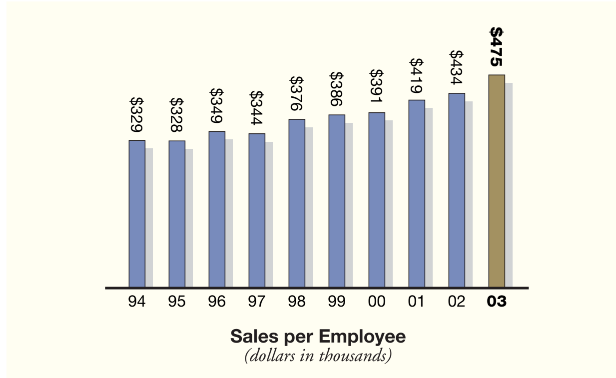
1963 Mt. McKinley *In the spring of 1963, Allan Hetteen and Polaris engineer David Pearson (pictured) set up camp on Mt. McKinley to test a prototype of the Comet. The tests went smoothly, but the Comet's actual performance proved dismal.*

Financial Performance

Total returns you can count on.



Productivity, efficiency and cost-reduction efforts at Polaris have resulted in steadily expanding gross margins.



Polaris sales per employee are nearly twice the industry average.

Steady earnings performance

Polaris continues strong and consistent earnings growth because we've stayed focused on a successful business strategy of innovation, quality and low-cost production.

Emphasis on new products. About 60 percent of our sales come from products introduced within the last three years. Every new model we develop helps stimulate sales and expand the reach of our brand. This year each product line will introduce a special 50th Anniversary edition vehicle — combining state-of-the-art performance technology with a distinctive design that celebrates Polaris' 50-year heritage.

Manufacturing process redesign. Over the past five years, Polaris has saved $45 million in costs through automation and process improvements on the production line. As an example, at our main factory in Roseau, we upgraded equipment and moved raw materials closer to the production line. We also instituted multiple in-process quality checks to produce defect-free products before they reached our end-of-the-line inspection, which reduced plant defects considerably.

Cost reduction. As we design new products, we continually seek opportunities to increase production efficiency and reduce part counts. For instance, over the past two years we have reduced product costs in our Sportsman line of ATVs by about nine percent, through design changes, better sourcing and manufacturing adjustments.

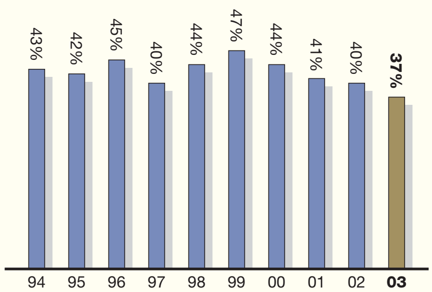
A consistent record of shareholder returns

Polaris is committed to growing the Company and returning the value to shareholders. We've consistently delivered on our stated goal to grow revenue, and to grow earnings per share even faster. Through share price appreciation and dividends paid, Polaris investors have seen the value of their investment grow at a compound annual average of 17 percent over the last 10 years.

"Polaris' execution and business strategy has been nothing short of amazing over the past several years, especially when considering the challenging economic and weather conditions the Company has faced. I think the Company's track record of earnings growth, in the face of challenges such as 9/11, lagging consumer confidence and poor snowfall across the Midwest, speaks for itself."
— Chad Meade, *Analyst, Janus Capital (shareholder)*

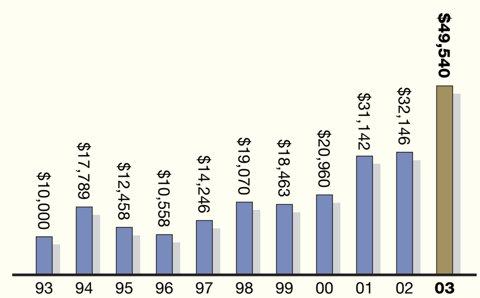
1963 Roseau plant *David Johnson oversees production during the Company's first year in its new 41,000-square-foot manufacturing plant.*

1963 Trail Tractor *Polaris' first all-terrain vehicle, the Trail Tractor, debuted in 1963. It was a two-wheel trail bike powered by a six-horsepower single-cylinder engine.*



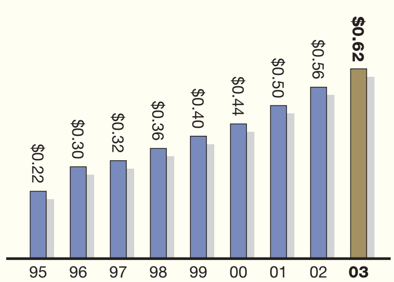
Return on Average Shareholder Equity*

Polaris has delivered returns on shareholder equity well above the industry average.



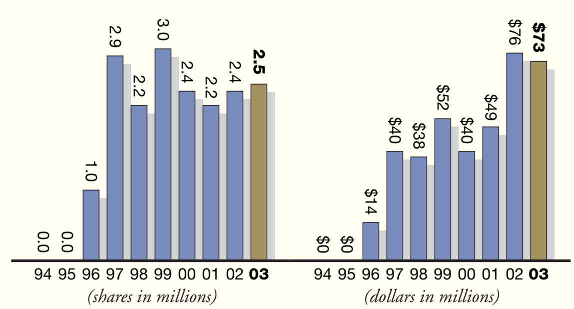
Cumulative Growth of $10,000 Investment in Polaris Stock
(assumes gross dividends are reinvested)

$10,000 invested in Polaris on December 31, 1993 would have been worth approximately $50,000 on December 31, 2003, a 395 percent increase.



Dividends per Share
Polaris announced a 48 percent increase in the regular quarterly dividend and expects to pay a total of $0.92 per share in 2004.

Polaris increased dividends every year since 1995 when the Company became a publicly traded corporation. Prior to 1995, Polaris was a publicly traded limited partnership and made significant distributions to partners annually.



Shares Repurchased

Polaris has repurchased nearly 19 million of 23 million shares authorized for a total of $382 million.

* 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 of $61.4 million, or $0.77 per diluted share, has been excluded from the 1998 financial data presented.

1963 Air-Sled *Polaris' short-lived, propeller-driven windsled, called the Air-Sled, accounted for just $15,000 in sales during the 1963-1964 season.*

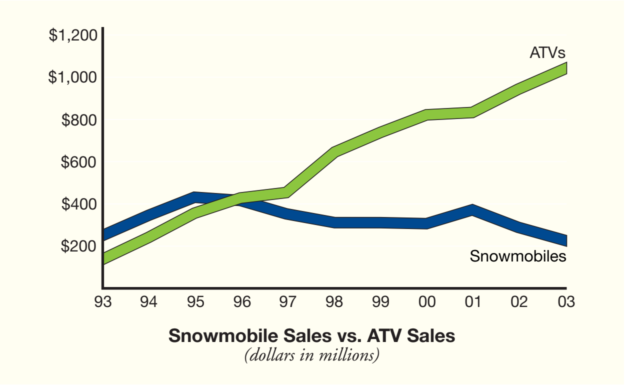
1964 Allan Hetteen *Allan Hetteen spent most of the 1960s building up the Polaris dealership network.*

1964 Mustang prototype *Carl Wahlberg (left) and Allan Hetteen test a prototype Mustang at West Yellowstone.*

Market Outlook

Places to grow? Count the opportunities.

Nearly 40 percent of ATV purchases come from first-time buyers, a healthy indicator of continuing market growth. (pictured: *RANGER TM*)



Snowmobile Sales vs. ATV Sales
(dollars in millions)

Over the last decade, Polaris transformed a snowmobile leader into an ATV powerhouse, while growing complementary motorsport product lines.

Sales growth on several fronts

ATVs. The North American ATV industry continued its decade-long run of year-over-year sales growth in 2003. So did Polaris ATV sales, driven by the *RANGER*. *RANGER* sales were up 60 percent in 2003.

Our *RANGER* vehicles established Polaris as a leader in the growing work/utility segment of the market that includes farming, landscaping, construction, and other commercial uses. Polaris also expanded its presence in the sport segment with a Predator 500 ATV model that gained market share in that segment of the ATV market. Overall, Polaris is the number two company in market share in the ATV market.

Victory. The market trend is clear: Americans love their motorcycles…especially cruisers. We introduced our Victory cruiser in 1998 with a strategy of offering a "New American Motorcycle"—adding superior handling and performance to traditional cruiser styling. Now the Victory brand is firmly established, and each year we make new inroads in this $6 billion market segment.

The premium cruiser and touring cruiser segments of the United Sates market where Victory competes grew by five percent in 2003. Victory sales grew 70 percent, spurred by our maturing network of motorcycle-focused Victory dealers, the successful launch of the new Victory Vegas custom cruiser, and the introduction of two new models—the Victory Kingpin and the Arlen Ness Signature Series.

International sales. Polaris sales overseas grew by 57 percent in 2003, driven in part by our expanding dealer direct business model. We will continue to pursue opportunities that warrant the additional investment.

There's growing demand for street-legal ATVs in Europe, where passion for The Way Out is strong, but storage space and in-town maneuvering room are at a premium. With the addition of several safety features to comply with local regulations, Polaris models can be driven directly to riding areas from homes, where trailers and larger vehicles to haul them aren't practical.

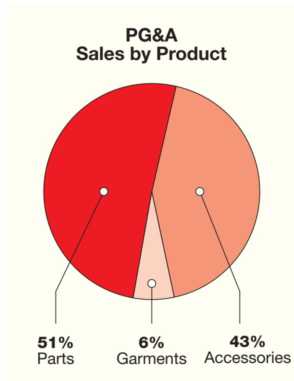
PG&A. Parts, Garments and Accessories continues to be our third-largest and highest-margin product line. Over the last three years, PG&A sales have averaged a seven percent annual growth rate. In 2003, PG&A continued its recent trend of developing innovative, integrated products with the release of new accessories such as the Glacier plow system, *RANGER* modular cab, and a quick release cargo box.

Through merchandising assistance and automated reports on the "Power" PG&A, items that account for 80 percent of a store's sales, we help dealers move more product, more profitably. While sled-related PG&A has traditionally produced the strongest per-vehicle sales, in 2003 we saw strong double-digit growth in Victory and ATV categories, where there's still great upside potential.

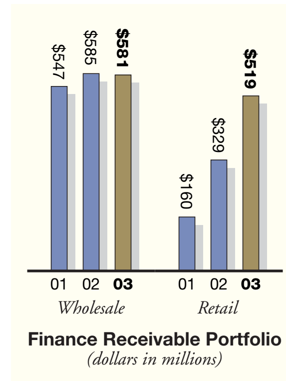
1960s Voyager *Polaris continued to sell the powerful, rear-engined Voyager into the mid-1960s; here shown scaling a roof to demonstrate its power.*

1966 Executive Team *Allan Hetteen, seated, poses with his 1966 executive team. From left: Marvin Backlund, Donald Hedlund, David Johnson, Wayne Czek, Bob Eastman, Jerry Reese, Albin Erickson, Dave Bode, Roy Baumgartner, Jerry Thomas, Carl Wahlberg and Bob Bromley.*

Polaris' Victory motorcycles feature industry-leading innovations in styling, handling and engine performance, while appealing to the rider who wants the classic American cruiser style. (pictured: Victory Vegas)



PG&A is Polaris' highest-margin product line and number three revenue producer.

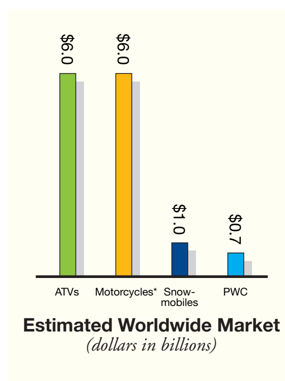


Polaris Financial Services has more than tripled its retail receivables portfolio since 2001.

Financial Services. Promotional marketing support and improved selling through dealers have increased our retail financing penetration significantly, from 17 percent of units sold to consumers in the United States in 2001 to 32 percent in 2003. Overall, Polaris wholesale and retail financing produced operating income of $24 million in 2003, generating a 33 percent return on investment.

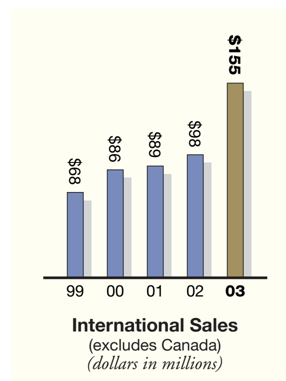
Snowmobiles: New products ready to hit the snow
Over the last two seasons, we introduced the Switchback, Edge RMK, Edge Touring and Pro X2 — all featuring industry-leading quality, comfort, control and performance. And we invested in development of two revolutionary new sled platforms for introduction in 2004. But snowmobile sales are driven by new products *and* snow. So in addition to pursuing product innovations, we maintain flexibility in our production lines and adjust production as demand dictates.

PWC: Designed for the future
Past concerns about limitations on the use of personal watercraft due to noise and emissions have dampened industry sales. A slow economy hasn't helped either. Growth in the PWC industry will resume, and when it does, our MSX models should lead the rebound. We introduced four-stroke technology in a PWC engine, as well as a cleaner, quieter two-stroke engine. Both engines are fast and fun for riders — and offer peace and quiet for neighbors.



While Polaris' sales growth has been strong, there remains plenty of room for continued growth within our core market segments.

* Cruisers and Touring, U.S. only



Polaris sells through 40 distributors and five subsidiaries outside North America. In 2003, international sales for Polaris grew 57 percent.

1966 Vancouver
Clark Dahlin (left) and James Langley begin their transcontinental adventure on the beaches of Vancouver.

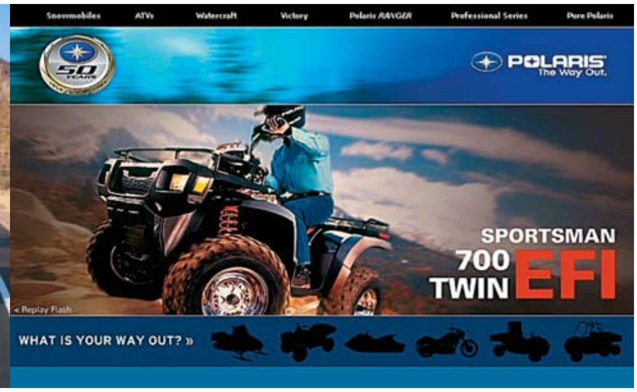
1967 Mustang
The 1967 Mustang came with an optional rear sled for towing passengers, equipment — even Christmas gifts.

1969 Mustang
Carl Wahlberg (left) looks over a 1969 Mustang with Roy Baumgartner (center) and Bob Bromley.

Brand Loyalty

Polaris is #1 where it counts — in the hearts of our riders.

Victory cruisers often get together for rallies, such as the fourth annual Victory 2 Victory Relay in June 2003. Riders traveled along the Victory Highway from New York to California.



The Polaris Web site averaged nearly 300,000 unique monthly visitors in 2003. Online and one-to-one customer promotions drove nearly $70 million in incremental sales.

Breeding rider loyalty

Polaris doesn't just sell machines. We sell a lifestyle. Our customers aren't just consumers. They're enthusiasts.

The Polaris brand is built on showing riders The Way Out—tapping into their passion for escaping the ordinary on snow, water, dirt or pavement. We offer a variety of programs designed to add even more enjoyment to their riding experience.

Clubs. Polaris riders often seek fellow adventurers to share the ride. We make it easy for our riders to find each other. For example, everyone who buys a Victory motorcycle is automatically registered in the Victory Riders Association—an exclusive cruisers club with chapters nationwide.

Each chapter organizes Victory Rides, which typically consist of meeting at a Victory dealership, cruising many miles to another dealership for lunch, then cruising back home along scenic country roads.

Events. Polaris sponsors rallies in all our product categories to celebrate the spirit of The Way Out. The 2003 American Victory Rally attracted hundreds of Victory riders who made a pilgrimage to Spirit Lake, Iowa—hometown of our Victory motorcycle factory. We also offer Snow Tours and ATV Adventure Tours—fully packaged trips for Polaris riders to explore the Black Hills, the Great White North and the Arizona desert.

Spring and fall Open Houses give our dealers special promotional opportunities, where riders are invited to see the latest in Polaris machines and accessories. Hosting an Open House typically results in a five percent to 15 percent boost in sales compared to the trend line. Dealer participation in these events has more than doubled, and we expect an even greater level of interest in our 50th year.

Keeping in touch. All Polaris riders receive a complimentary subscription to *Escape!*—a quarterly publication with news about Polaris products, accessories and rallies, as well as stories from the trail that foster a sense of community among Polaris riders. We also send a monthly online magazine called *Polaris Spotlight* to our rider email database.

Capitalizing on loyal riders

In 2003, there were 11 million visits to www.polarisindustries.com to print brochures, view product demos, download computer wallpaper, and much more. More than 200,000 of those visitors registered for more information, creating a prospect database that we sorted by region and forwarded to dealers for a personalized response.

1970 Playmate *The Playmate came with an optional wheel kit that allowed owners to use their machines during the summer as well as the winter.*

1970 Star Car *The Star Car gave snowmobile owners a way to use their snowmobile engines year round. The car, examined here by (from left) Allan Hetteen, Huch Aoki and Carl Wahlberg, elicited high hopes initially, but the project survived only a few years.*

Sportsmen can turn their Polaris ATV into the ultimate hunting machine with the Pure Polaris Hunter Package, which includes Mossy Oak®-camouflaged parts, a gun boot and a pull-behind game cart.

These Victory riders logged 1,000 miles in a day to earn membership in the "Iron Butt Association of the World's Toughest Motorcycle Riders."

Targeted marketing to Web-generated leads has generated our best sales conversion rates. For example, among Victory prospects who designed a custom motorcycle online (see sidebar), sales increased five-fold after follow-up by a local dealer.

Partners in product development. Our base of dedicated Polaris owners provides much more than a profitable source of recurring sales. Through the Web, we can surface and test new product ideas much faster and with more depth than through conventional market research methods. For example, in less time than it would take to schedule one focus group, we gathered massive feedback from thousands of enthusiasts on a potential *RANGER* vehicle development project.

Pure Polaris. More than two million Polaris machines are out on trails, farms and roads, and each one represents the opportunity for increased PG&A sales. Our Pure Polaris program puts together complete packages of apparel and accessories that help riders get the most out of their ride, whether it's being used for work or play.

Custom ordering goes online

SnowCheck was our first factory order program, offering sled buyers an opportunity to custom order their product in the preseason. In 2003, we took the concept online to create the first-ever Web-based custom ordering program for factory-produced motorcycles. Riders can build their own bike by logging onto the Victory Web site and choosing:

- A 2004 Vegas, Kingpin or Touring Cruiser model
- Colors of the bike's bodywork, frame and engine
- Wheels, tires, handlebars and foot controls
- Optional equipment, such as extra chrome, a high intensity display headlight and deluxe touring packages

More than 3,000 unique combinations are possible, so each Victory custom-order customer gets a bike they can call their own.

All Victory riders receive *Victory Magazine* from Polaris. Each issue is packed with news, events and rider stories.

1970s Partnership *Engine specialists from Fuji Heavy Industries made frequent trips to Roseau as Fuji and Polaris built a close relationship throughout the 1970s.*

1970 X-2 *On March 14, 1970, Polaris gained the upper hand in racing when Mike Baker pushed the experimental X-2 "Flying Wedge" to a world record of 109.9 mph during a run in West Yellowstone, Montana.*

1972 Polaris *President Herb Graves (left), plant manager Ron Payne (center), and production vice president Tom Fuchs were all smiles as the last 1972 Polaris rolled off the assembly line.*

Product Innovation

Faster, smoother, cleaner, quieter — we deliver on all counts.

Sleds have come a long way in 50 years. The new Polaris Fusion (pictured above) and 900 RMK models feature a powerful Liberty 900 two-stroke engine with CleanFire Injection and a lightweight chassis with Rider Select Ergonomics.

In 2003 Polaris introduced the Sportsman 700 Twin EFI — the world's first electronically fuel-injected 4X4 ATV. EFI technology on our newest Sportsman delivers instantaneous starting, improved gas mileage and our most powerful engine ever.

Our new product pipeline keeps flowing

Polaris' sales strategy is focused on stocking dealerships with fresh new products that excite our customers. In 2003, we raised the bar for our engineers again — challenging them to introduce something completely different in every one of our four major product lines.

The Victory Kingpin. If the Victory Vegas is about high style and high stakes, the new Kingpin is about comfort, confidence and control. It's still cool enough to be considered a cruiser, but it's designed for comfort over long-distance rides. The Kingpin also competes in a different market segment than the Vegas. As a classic cruiser, Kingpin appeals to a rider group that accounts for more than one-quarter of the total premium cruiser market.

Fusion™ and 900 RMK.™ This year Polaris will storm the snowmobile market with two of the best-riding, best-performing sleds ever created. The new Fusion performance snowmobile is built with the philosophy that power without control is wasted energy. Fusion offers the best of both worlds with innovations in the sled engine and chassis. The Liberty 900 two-stroke engine combines a broad torque curve with CleanFire™ Injection — a sophisticated fuel management system that delivers instant throttle response, easy choke-less starting, improved fuel economy and higher velocity. The new chassis offers unmatched comfort with a Rider Select Ergonomics System that adjusts to each rider's body and riding style. It also delivers unmatched stability with advanced suspension and shock technology on a lighter, more centralized frame.

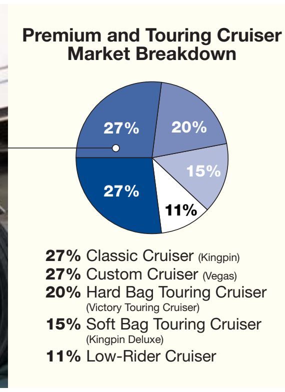
The new 900 RMK features the Liberty 900 engine and new chassis in a mountain-model design that offers superior flotation, so the sled can get on top of snow faster and use less power to stay there. The unique hood and front suspension components deflect snow down and around the sled. The running boards are narrowed and flare upward at the rear to prevent high-centering or hang-ups in deep snow. Both the Fusion and the 900 RMK are available with Polaris 50th Anniversary Limited Edition graphics.

MSX 150 and 110. Adding to last year's MSX 140 personal watercraft — which delivers the fastest speed in its class — Polaris will ship two new MSX models in 2004 with low-emission, turbo-charged four-stroke engines. The MSX 150's clean-burning engine delivers outstanding top speeds and plenty of power to tow skiers. The MSX 110 offers superior fuel economy as the market's most affordable four-stroke PWC.

All-Terrain Pickup. Market research showed ATV riders were having a hard time choosing between sport, recreational or utility models. So we designed a revolutionary new model that does it all — the All-Terrain Pickup. The Polaris ATP combines the rugged power and sleek styling of our premium ATVs with the functionality of a pickup truck, offering twice the storage capacity of most ATVs.

1977 **TX-L** *The 1977 TX-L was a breakthrough machine for Polaris. Its unique liquid-cooled engine was superior to its competitors', and its aluminum extrusions acted as foot warmers.*

1980 **Cutlass** *The Polaris Cutlass was the only new snowmobile model introduced by any company during the 1980-81 season.*



Together, Victory's model line-up now serves nearly 90 percent of the premium cruiser and touring cruiser market.

The new Polaris MSX models feature sport-bike inspired styling and an environmentally friendly four-stroke engine.

Industry-leading innovations

Innovation is a competitive advantage for Polaris. Our R&D investments yield the differentiation that grows margins, attracts new riders and keeps Polaris loyalists going back to their dealership for more.

High-quality, high-performance engines. If you're riding in the back country in extreme conditions, you expect a lot out of an engine. The unique twin-cylinder Polaris Liberty snowmobile engine features a Variable Exhaust System for increased torque, durable Grafal™-coated pistons and Detonation Elimination Technology (DET™) for sure starts in the cold. The Freedom™ V-twin engine in our Victory motorcycles boasts the most horsepower and torque in its class. We were also the first to introduce electronic fuel injection — a standard feature on Victory motorcycles — on an ATV, with our new Sportsman 700 Twin EFI model.

Superior maneuverability and comfort. Polaris riders enjoy the surest handling and smoothest ride on the market. Our PWCs feature ESP™ (Enhanced Steering Performance) technology for excellent off-throttle and off-power steering. The PERC® (Polaris Electric Reverse Control) technology on our snowmobiles offers the convenience of push-button reverse, which makes our sleds easier to back off trailers. And only Polaris ATVs offer On-Demand All-Wheel Drive — a proprietary system that kicks all-wheel traction into gear when the rear wheels slip.

Environmental sensitivity. Polaris is well ahead of the latest environmental regulations. Our 2004 Frontier snowmobiles already meets EPA emission requirements for 2006. The MSX 150 personal watercraft meets EPA standards for the year 2006.

Our vehicles are environmentally friendly in other ways, too. Polaris PWCs feature PLANET™ (Polaris Low Acoustic Noise Exhaust Technology) systems that reduce sound pressure levels by more than 60 percent. The new Polaris ATPs are equipped with VersaTrac — a traction system that minimizes impact on sensitive terrain.

Polaris pioneered a new kind of ATV with the All-Terrain Pickup — a versatile machine that hauls and dumps while still riding smooth and easy.

1981 Hall Wendel *Hall Wendel became Polaris' President and CEO at 37, leading the Company through some of its toughest years.*

1981 E-Z-Go *Bruce Rushton, Polaris E-Z-Go's vice president of marketing and a member of the management buyout group, drives an E-Z-Go golf cart. The newly independent Polaris would continue manufacturing clutches for Textron's E-Z-Go golf cart division until 1989.*

1983 Indy 600 *The Indy 600 was one of two liquid-cooled, independent front suspension machines in the Polaris 1983 Indy line.*

Dealer Network

We count on our dealers. They count on us.

With the help of a Capital Assistance Program grant, the Mid-America Motoplex Polaris dealership in Sioux Falls, South Dakota, remodeled the building exterior and sales floor. As a result of the more attractive merchandise presentation, Mid-America Motoplex realized a substantial increase in sales and was recognized in the *Dealer News* 2004 as the Top 100 grand prize winnerfor store design.

Getting closer to our dealers

Last year we created a more dealer-focused sales force by combining our whole goods and PG&A sales forces, and consolidating sales territories. Now district sales managers can devote more attention to each dealer, working on specific initiatives to improve the dealers' sales and profitability.

Business planning. In 2003, we placed more emphasis on dealer planning before establishing order goals. We work closely with dealers to analyze store sales history, retail trends and inventory levels. In addition, dealerships receive a facility brand image review with recommendations on where property and showroom improvements can boost sales.

With operations ranging from less than $1 million in sales to more than $50 million, not all dealers need the same kind of assistance. To provide flexibility in our support programs, we match the dealers with a retail consultant. Together, they determine where best to direct the assistance available from Polaris.

Capital Assistance. Polaris awarded to dealers 42 Capital Assistance Program (CAP) grants totaling more than $2 million in 2003. Since the program began in 2001, Polaris has awarded about 130 CAP grants totaling $5 million. Used for remodeling dealer facilities, the funds quickly pay off in dramatically increased sales. Dealerships that received CAP grants realized an average of 45 percent sales growth after their renovation project was finished. For Polaris, that translates into a 44 percent return on our investment. We plan to continue to expand the program in 2004.

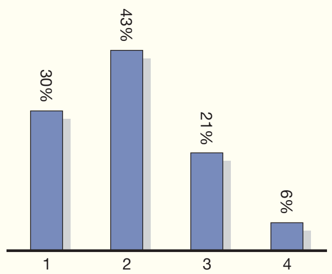
Managing inventory and other best practices. Managing dealer inventory is one of the single biggest levers for improving dealer profitability. Through a combination of training, incentives and joint planning, we've been able to help ATV dealers reduce their days of supply of inventory over the last 18 months. A value rebate program reinforces appropriate inventory levels and other best metrics in areas such as customer satisfaction, facility and business practices.

We've rolled out Web-based interactive training for dealers on how to sell ATVs, with programs for other products to follow. Sales people who complete the training qualify for an incentive on each sale. The 1,500 dealers participating in the program have seen a lift in ATV retail sales. We also launched dealer seminars that share simple tools, best practices and benchmarks to improve profitability in their five Polaris profit centers.

1983 **Indy Trail snowmobile** *The 1983 Indy Trail headlined Polaris' new line of Indy sleds and gave trail riders a chance to enjoy the benefits of independent front suspension.*

photo courtesy Snow Goer Magazine

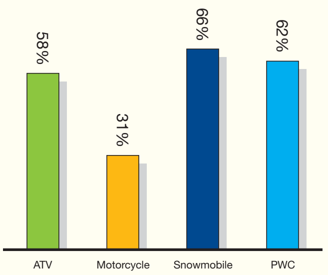
1984 **30th anniversary** *A cake celebrating Polaris' 30th anniversary is presented to (from left) Edgar Hetteen, David Johnson and Hall Wendel.*



(number of Polaris product lines)

Percentage of Polaris North American Dealers Carrying Polaris Product Lines

Most Polaris dealers diversify their customer base by selling multiple Polaris product lines.



Percentage of Polaris North American Star Dealers by Product Line

Polaris dealers earn a "Star" rating if they exclusively sell Polaris products in a given line. Star dealers receive special benefits such as product financing and cooperative advertising for each exclusive Polaris line they sell. So the more a dealer specializes in Polaris products, the more benefits they receive from Polaris.

Dealer Extranet. The Polaris Dealer Extranet provides dealers a Web-based resource for online ordering, warranty registration, parts availability, market intelligence and information on their own performance trends. The extranet also connects dealers to the Media Vault — an online center for ready-made newspaper ads, posters and direct mail materials. Industry analysts have called it the most powerful dealer support tool in the industry.

Loyalty Program. Our Dealer Loyalty Program offers powerful incentives for dealers to increase profitable PG&A sales. Dealers who hit certain levels are eligible for benefits such as expedited freight, quarterly visits from merchandisers, focal point display fixtures and customer mailings. About 800 dealers qualified for benefits under the program in 2003.

Power Store concept powers up sales

Last year, the Polaris Dealership Development team designed a new Power Store format that brings The Way Out to life at the dealership. With the help of Capital Assistance Program funding, about 50 Polaris dealerships have upgraded to Power Stores, and increased their sales as a result.

(pictured: Mies Outland, Watkins, MN)

1984 Roseau plant *The first Polaris all-terrain vehicle rolls down the Roseau plant's assembly line.*

1984 Trail Boss ATV *This four-wheel Trail Boss all-terrain vehicle was among the first ATVs to roll off Polaris' production line.*

1980s Watercraft *Polaris' first attempts to develop a personal watercraft produced little success, but that had all changed by 1991.*

Industry Recognition

Awards? Count them up.

Predator 500

All-Terrain Pickup

In 2003 we introduced the most new products in our history. We also won more new product awards than ever before.

PREDATOR 500: *ATV of the Year 2003*

"With the Predator, Polaris blitzed the U.S. patent office with several engineering firsts…the interaction of the chassis, suspension and steering components takes sport quad handling to another realm."

– Jerrod Kelly, editor of ATV Sport

ATV Sport

The ATV Guide

ATV Rider

ALL-TERRAIN PICKUP: *ATV of the Year 2004*

"Polaris broke the mold of 'utility first, recreation second' with its All-Terrain Pickup. This machine can haul more gear more easily than the competition. Yet, it remains a worthy trail machine… For work or play, Polaris engineers thought of nearly everything."

– Editors of ATV Magazine

ATV Magazine

VICTORY VEGAS: *Cruiser of the Year 2003*

"The Vegas is nobody's clone. [Its] fluid design stands out in a crowd...From where we sit, this whole cruiser thing is about individuality…If cruising is about freedom of choice, [the Vegas] is ours."

– Editors of Motorcyclist Magazine

Cruising Rider

V-Twin

Cycle World

Motorcyclist Magazine

1994 Spirit Lake, Iowa *In 1994, Polaris moved its entire PWC production from the Roseau facility (pictured) to its new plant in Spirit Lake, Iowa.*

1996 Vermillion Worldwide Distribution Center *Polaris broke ground for its new Vermillion, South Dakota, parts, garments and accessories distribution center.*

Victory Vegas


MSX 140

MSX 140: *Watercraft of the Year 2003*

"[The MSX 140] is the most innovative overall package on the market. It promises to be the one watercraft platform that has emerged in 2003 that will have the most long-standing impact on the industry."
– Editors of WaterCraft World

WaterCraft World

MSX DESIGN EARNS WORLDWIDE RECOGNITION

The MSX 140 was recognized by the Chicago Athenaeum: Museum for Architecture and Design as a winner in the 2003 "Good Design" competition. The MSX was honored alongside the BMW 7 Series, Mini Cooper and iMac G4 in the world's premier worldwide design competition.

OUR EMPLOYEES ARE LEADERS, TOO

As a rule, we prefer to downplay our corporate community giving. But when Polaris is recognized as the top per-capita participant in the Minneapolis/St. Paul area United Way campaign, it's a reflection on the quality and compassion of our people. The most productive workforce in the industry is also one of the most community-minded.

Quality initiatives drive industry recognition
Polaris' landslide of industry awards is directly attributable to our emphasis on quality. Problems-per-vehicle in all product lines was reduced by 40 percent in 2003, thanks to quality improvement initiatives such as the "Rolling Road" at the Spirit Lake, Iowa, factory. Before each Victory motorcycle passes final inspection, it goes for a 12-minute test drive on a dynamometer that tests engine, gears and brake performance.

1997 Victory V92 *Hall Wendel (left) and Al Unser Jr., a two-time Indy 500 winner, astride the new Victory V92 cruiser at the motorcycle's coming-out party at Planet Hollywood. Unser Jr. had been riding Polaris products since he was a child and he was happy to help Polaris kick off the Victory launch.*

1998 Tom Tiller *Tom Tiller became Polaris' new president and chief operating officer in 1998 and CEO in 1999. Tiller's sharp business sense and fondness for Polaris products made him a perfect leader for the Company as it rode into the new millennium.*

1998 *RANGER* *After its launch in 1998, the Polaris* RANGER *line of utility vehicles quickly became one of the most exciting product lines in Polaris' growing stable.*

Celebrating 50 Years of Polaris

As we countdown to our Golden Anniversary, we'd like to thank the people who made it possible.

"I switched from Ski Doo to Polaris in 1971, because the Polaris sled rode so much smoother. Since then, I've bought and rode another 15 Polaris snowmobiles. Today I ride a 700 XC SP out in the big woods of the Adirondack Mountains. And I gotta tell you, Polaris sleds are riding better today than ever."

Gordon Smith,
Half Moon, NY
Polaris rider
for more than 30 years

"Our fund made its initial investment in Polaris in 1998, and we have purchased additional shares every year since. When you can find a company that is extremely well managed, makes wonderful products, uses capital efficiently, and treats their shareholders well, then you hold that company's stock and buy more whenever you like its price. My only regret is that I missed the first 45 years of Polaris' performance."

Mark Mulholland,
Jenkinstown, PA
President, Matthew 25 Fund
(Symbol: MXXVX)
Polaris shareholder
for five years

"I grew up in Roseau. So for me, it's exciting to see my hometown company grow into such a success. It just goes to show what a dedicated group of employees with innovative ideas and a strong work ethic can achieve. Polaris has always been a company that cares for its employees, and I think that shows in our high-quality, well-made machines."

Bob Granitz, Roseau, MN
Polaris employee for more
than 40 years

"We've built the largest snowmobile dealership in our area, thanks largely to the quality, comfort and technology of Polaris products. Polaris excels at business technology, too. With electronic forms and Web-based dealer support, we've significantly increased our profitability. Whenever I visit Polaris headquarters, I always feel they work more like a family than a company. I'm proud to be a part of that family."

Gary Neely, Pinedale, WY
Owner, Bucky's Outdoors
Polaris dealer for 30 years

Help us celebrate our history and toast to our future

As an investor, you're part of the Polaris family. So save July 24, 2004 on your calendar and plan on joining us for the Way Out Weekend — our 50th birthday party at the Minnesota State Fairgrounds in St. Paul, Minnesota. Vintage machine displays, test drives of our newest models, fireworks and a major concert headliner will all be part of the celebration. You can RSVP on our Golden Anniversary Web site at http://50years.polarisindustries.com.

2000 Breaking Trail *Edgar Hetteen (center) with long-time friends Rudy and Bessie Billberg at the beginning of the Breaking Trail 40th anniversary journey across Alaska.*

2002 Professional Series *Polaris reached further into the commercial, off-road utility task vehicle market and introduced the Polaris Professional Series which transformed ATVs and RANGERs into durable Workmobiles.™*

2002 Predator *Polaris introduced the all new, award winning Predator 500 ATV for hard-driving sport riders who demand power, superior handling and a suspension that keeps them in control.*

The Polaris Golden Anniversary Limited Edition ATV and snowmobile combine our most sophisticated technology with classic designs that celebrate Polaris' heritage. A Golden Anniversary Victory motorcycle, *RANGER* and personal watercraft will be introduced later this year.

Polaris 50th Anniversary events

We've planned a full year of anniversary celebrations. Read more about them on the Polaris Golden Anniversary Web site.

- January 2004, Polaris WOW International Relay
  Way Out Women riders launched from four starting points — Maine, Alaska, New Foundland and British Columbia — and met in Polaris' hometown of Roseau, Minn. Proceeds benefited the Canadian and Susan G. Komen Breast Cancer Foundations.
- February 2004, NHL All-Star Game
  Polaris was a high-profile sponsor of the All-Star Weekend in St. Paul. The Stanley Cup toured Minnesota on the back of a Polaris Indy Frontier Touring snowmobile the week before the game.
- February 2004, Roseau Frostbite Days
  Hundreds of Polaris riders gathered together in an attempt to set the world record for the "Largest Organized International Snowmobile Trail Ride."
- Spring 2004, Spring Dealer Open Houses
  Polaris dealerships across North America will host open house celebrations for customers with great deals on the new line of Polaris 50th Anniversary edition products.
- June 2004, Polaris 50th Anniversary Celebration in Roseau, Minn.
  Come celebrate in the town where Polaris — and the snowmobile — were born.
- July 24, 2004, Way Out Weekend in St. Paul, Minn.
  Our official 50th birthday celebration at the Minnesota State Fairgrounds.

2003 **EX2100 Sport Boat** *The Polaris EX2100 Sport Boat, unveiled in 2003, is powered by a 240-horsepower Mercury marine engine and is outfitted with a number of premium standard features, including a custom trailer, stereo-cd player, large ski locker and plush upholstery.*

2003 **MSX** *Polaris debuted its MSX line of personal watercraft. The sleek, futuristic-looking MSX can carry up to three people and features High Output Direct Injection, low-emission engines.*

2004 **Polaris 50th Anniversary** *Polaris' 50th Anniversary Celebration is a chance for everyone to celebrate and for Polaris to thank its loyal customers, dealers, employees, suppliers and shareholders for 50 great years.*

11-YEAR SELECTED FINANCIAL DATA *in thousands, except per share and per unit data*

The selected financial data presented below are qualified in their 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 Operations," located in the Form 10-K included in this report.

For the Years Ended December 31,	**2003**	2002	2001	2000
Statement of Operations Data				
Sales data:				
Total sales	**$ 1,605,869**	$ 1,521,282	$ 1,487,651	$ 1,393,039
% change from prior year	**6%**	2%	7%	7%
Sales mix by product:				
All-terrain vehicles	**65%**	62%	56%	59%
Snowmobiles	**14%**	19%	25%	22%
Personal watercraft	**3%**	4%	4%	5%
Motorcycles	**4%**	2%	1%	1%
PG&A	**14%**	13%	14%	13%
Gross profit data:				
Total gross profit	**$ 360,017**	$ 332,280	$ 306,997	$ 287,746
% of sales	**22%**	22%	21%	21%
Operating expense data:				
Amortization of intangibles and noncash compensation	**$ 14,472**	$ 16,437	$ 16,482	$ 12,702
Conversion costs	**—**	—	—	—
Other operating expenses	**202,411**	177,552	160,697	153,250
% of sales	**13%**	12%	11%	11%
Actual and pro forma data:(2)				
Net income	**$ 110,929**	$ 103,592	$ 91,414	$ 82,809
Diluted net income per share	**$ 2.46**	$ 2.19	$ 1.94	$ 1.75
Cash Flow Data				
Cash flow from operating activities	**$ 155,765**	$ 192,771	$ 188,581	$ 107,666
Purchase of property and equipment	**61,436**	56,575	53,982	63,056
Repurchase and retirement of common stock	**73,125**	76,389	49,207	39,622
Cash dividends to shareholders	**26,657**	25,273	22,846	20,648
Cash dividends per share	**$ 0.62**	$ 0.56	$ 0.50	$ 0.44
Cash distributions declared to partners	**—**	—	—	—
Cash distributions declared per unit	**—**	—	—	—
Balance Sheet Data (at end of year)				
Cash and cash equivalents	**$ 82,761**	$ 81,193	$ 40,530	$ 2,369
Current assets	**387,716**	343,659	305,317	240,912
Total assets	**671,352**	608,646	565,163	490,186
Current liabilities	**330,478**	313,513	308,337	238,384
Borrowings under credit agreement	**18,008**	18,027	18,043	47,068
Shareholders' equity/partners' capital	**319,378**	277,106	238,783	204,734

NOTE: Shares and earnings per share data have been adjusted throughout the annual report to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

(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, 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 for 1998 would have been $102.8 million, $70.6 million and $1.36 per share, respectively.

(2) The comparability of the information reflected in the Selected Financial data is materially affected by the conversion from a master limited partnership to a corporation on December 22, 1994, which resulted in the Company recording a net deferred tax asset of $65.0 million, conversion expenses of $12.3 million and a corresponding net increase in 1994 net income. Pro forma data is presented to assist in comparing the continuing results of operations of the Company exclusive of the conversion costs and as if the Company was a taxable corporation for each period presented.

1999	1998	1997	1996	1995	1994	1993
$ 1,296,409	$ 1,152,812	$ 1,008,538	$ 1,156,579	$ 1,078,784	$ 804,597	$ 511,924
12%	14%	(13%)	7%	34%	57%	38%
57%	56%	45%	37%	33%	30%	27%
24%	27%	35%	36%	40%	43%	49%
4%	4%	6%	15%	16%	14%	9%
3%	1%	—	—	—	—	—
12%	12%	14%	12%	11%	13%	15%
$ 254,889	$ 211,644	$ 188,414	$ 193,996	$ 185,272	$ 157,354	$ 114,159
20%	18%	19%	17%	17%	20%	22%
$ 10,472	$ 8,703	$ 5,887	$ 5,325	$ 5,616	$ 14,321	$ 13,466
—	—	—	—	—	12,315	—
130,771	164,244[1]	89,425	91,254	77,998	55,056	47,466
10%	14%[1]	9%	8%	7%	7%	9%
$ 76,326	$ 31,015[1]	$ 65,383	$ 62,293	$ 60,776	$ 54,703	$ 33,027
$ 1.53	$ 0.60[1]	$ 1.22	$ 1.12	$ 1.09	$ 0.99	$ 0.60
$ 124,354	$ 121,385	$ 102,308	$ 89,581	$ 77,749	$ 111,542	$ 78,503
65,063	61,532	36,798	45,336	47,154	32,656	18,946
52,412	37,728	39,903	13,587	—	—	—
19,732	18,582	16,958	16,390	116,639	—	—
$ 0.40	$ 0.36	$ 0.32	$ 0.30	$ 2.13	—	—
—	—	—	—	—	50,942	47,217
—	—	—	—	—	$ 0.84	$ 0.84
$ 6,184	$ 1,466	$ 1,233	$ 5,812	$ 3,501	$ 62,881	$ 33,798
214,714	183,840	217,458	193,405	175,271	206,489	109,748
442,027	378,697	384,746	351,717	314,436	331,166	180,548
233,800	204,964	191,111	161,387	155,722	161,457	98,055
40,000	20,500	24,400	35,000	40,200	—	—
168,227	153,233	169,235	155,330	118,514	169,709	82,493

Regulation G Reconciliation — Cash Flow Provided to Net Cash Provided by Operating Activities *(dollars in millions)*

Year	Cash Flow Provided *(as shown on page 7)*	Deferred Income Taxes	Changes in Current Operating Items	Impact of Conversion Cost from MLP to a Corporation, Net[2]	One-time Provision for Litigation Loss, Net[1]	Net Cash Provided by Operating Activities
1994	$ 87.5	—	$ 14.8	$9.2	—	$111.5
1995	89.0	$10.0	(21.3)	—	—	77.7
1996	94.8	—	(5.2)	—	—	89.6
1997	96.8	—	5.5	—	—	102.3
1998	106.8	5.0	49.2	—	$(39.6)	121.4
1999	115.4	3.0	6.0	—	—	124.4
2000	127.5	1.6	(21.4)	—	—	107.7
2001	147.0	(9.7)	51.3	—	—	188.6
2002	168.1	7.2	17.5	—	—	192.8
2003	170.7	(8.1)	(6.8)	—	—	155.8

LETTER TO INVESTORS *from the CFO*

This is our second annual report, and first full year of operation, since the Sarbanes-Oxley Act was passed. As expected, we encountered no difficulties complying with any of its provisions. Tom Tiller and I have certified Polaris' financial statements for 2003, as required by the SEC.

For years Polaris has emphasized complete, accurate and transparent financial statements and disclosures so investors can understand the Company's operations and trust the direction of management.

Polaris is a straightforward business with an equally straightforward operating style. We are focused on related outdoor recreational markets and consumers we understand. Our basic strategy is to design high quality, innovative products, manufactured at low cost, and sold through a knowledgeable dealer network that places firm orders for product before it is built by Polaris. We continue to improve, expand and refine this business model, rather than charge off in new directions. This steady, transparent approach has delivered consistent results, easily comparable year-to-year performance and long term value — a ten-year compounded annual sales growth of 12 percent and compounded earnings per share growth of 15 percent.

As I wrote last year, Polaris has no sophisticated special purpose entities, no conflicts of interest with officers or directors and no tricky or aggressive accounting gimmicks. We maintain conservative accounting policies and transparent reporting practices that include:

- Revenue recognition and sales promotion and incentive practices that are customary in our industry when retailing through dealers
- Reserves that we believe are adequate to cover the normal risks associated with unsold inventory, product warranty and product liability claims
- Disclosures of relationships with our financial services business partners and the associated risks and obligations of Polaris
- A consistent, predictable financial forecasting model that gives us confidence in providing forward-looking earnings guidance to our investors — resulting in meeting or exceeding our earnings per share guidance range for 23 consecutive quarters

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

We have a history of generating strong cash flow from operating activities. In 2003, we generated operating cash flow of $156 million. Our policy is to utilize capital where it will provide the best return for our shareholders. In 2003, we used the cash provided by operations for capital investments, new product development, cash dividends to shareholders and the repurchase and retirement of common shares. During the past five years, Polaris has returned a total of $406 million to the shareholders of the Company through cash dividends and share repurchases. We expect this trend to continue. In January 2004 the Board of Directors approved a 48 percent increase in the cash dividend paid quarterly to shareholders, and approved a 2-for-1 stock split — the third time in ten years that Polaris has split its shares. As a result of pursuing capital efficiency, we have a strong balance sheet and have produced a return on average shareholder equity averaging 42 percent over the past five years. At year end 2003, the Company was in a solid cash position ($83 million) with very low debt (5 percent debt to total capital ratio). We have the flexibility to respond to growth opportunities, to react to unforeseen events, and to continue to repurchase Polaris shares when they represent an excellent value.

We are proud of our record of integrity and of acting in the best interests of the shareholder. Be assured we continually review our policies, controls, processes and disclosures to ensure that this record will carry on through the next 50 years of the Company's history.

Michael Malone

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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission file number 1-11411

POLARIS INDUSTRIES INC.

(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation)	**41-1790959** (IRS employer identification no.)
2100 Highway 55, Medina MN (Address of principal executive offices)	**55340** (Zip Code)

(763) 542-0500
(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act

Title of class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ✓ No ____

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $1,771,507,360 as of March 1, 2004, based upon the last sales price per share of the registrant's Common Stock, as reported on the New York Stock Exchange on such date.

As of March 1, 2004, 21,546,956 shares, on a pre-split basis, of Common Stock, $.01 par value, of the registrant were outstanding (representing 43,093,912 shares on post-split basis).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2003 (the "2003 Annual Report") furnished to the Securities and Exchange Commission are incorporated by reference into Part II of this Form 10-K.

Portions of the definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on April 22, 2004 filed with the Securities and Exchange Commission (the "2004 Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

POLARIS INDUSTRIES INC.

2003 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

PART I

Item 1. Business

Polaris Industries Inc. (the "Company" or "Polaris"), a Minnesota corporation, was formed in 1994 and is the successor to Polaris Industries Partners LP. The term "Polaris" as used herein refers to the business and operations of the Company, its subsidiaries and its predecessors which began doing business in the early 1950's. Polaris designs, engineers and manufactures all terrain vehicles ("ATVs"), snowmobiles, motorcycles and personal watercraft ("PWC") and markets them, together with related replacement parts, garments and accessories ("PG&A") through dealers and distributors principally located in the United States, Canada and Europe. Sales of ATVs, snowmobiles, motorcycles, PWC and PG&A accounted for the following approximate percentages of Polaris' sales for the years ended December 31:

	ATVs	Snowmobiles	Motorcycles	PWC	PG&A
2003	65%	14%	4%	3%	14%
2002	62%	19%	2%	4%	13%
2001	56%	25%	1%	4%	14%

Industry Background

All Terrain Vehicles. ATVs are four-wheel vehicles with balloon style tires designed for off-road use and traversing rough terrain, swamps and marshland. ATVs are used for recreation, in such sports as fishing and hunting, as well as for utility purposes on farms, ranches and construction sites.

ATVs were introduced to the North American market in 1971 by Honda. Other Japanese motorcycle manufacturers including Yamaha, Kawasaki and Suzuki entered the North American ATV market in the late 1970s and early 1980s. Polaris entered the ATV market in 1985, Arctic Cat entered in 1995 and Bombardier Recreational Products Inc. (Bombardier) entered in 1998. In 2003, John Deere announced its planned entrance into the North American ATV market in early 2004. In 1985, the number of three- and four-wheel ATVs sold in North America peaked at approximately 650,000 units per year, then dropped dramatically to a low of 148,000 in 1989. Since that time, the industry has grown consistently. Polaris estimates that during the calendar year 2003 the industry grew six percent with approximately 1,041,000 ATVs sold worldwide.

Polaris also competes in the utility vehicle market with its *RANGER*™ off-road utility vehicle and professional series UTV platforms. The utility vehicle market grew approximately seven percent during the calendar year 2003 and is approximately a 110,000 unit market.

Snowmobiles. In the early 1950s, a predecessor to Polaris produced a "gas powered sled" which became the forerunner of the Polaris snowmobile. Snowmobiles have been manufactured under the Polaris name since 1954.

Originally conceived as a utility vehicle for northern, rural environments, the snowmobile gained popularity as a recreational vehicle. From the mid-1950s through the late 1960s, over 100 producers entered the snowmobile market and snowmobile sales reached a peak of approximately 495,000 units in 1971. The Polaris product survived the industry decline in which snowmobile sales fell to a low point of approximately 87,000 units in 1983 and the number of snowmobile manufacturers serving the North American market declined to four: Yamaha, Bombardier, Arctic Cat and Polaris. Polaris estimates that during the season ended March 31, 2003, industry sales of snowmobiles on a worldwide basis were approximately 186,000 units, down nine percent from the previous season.

Motorcycles. Heavyweight motorcycles are over the road vehicles utilized as a mode of transportation as well as for recreational purposes. There are four segments: cruisers, touring, sport bikes, and standard motorcycles.

Polaris entered the motorcycle market in 1998 with an initial entry product in the cruiser segment. U.S. industry retail cruiser sales more than doubled from 1993 to 2002. Polaris entered the touring segment in 2000. Polaris estimates that the cruiser and touring market segments combined, grew five percent in 2003 with approximately 400,000 cruiser and touring motorcycles sold in the U.S. market. Other major cruiser and touring motorcycle manufacturers include Harley Davidson, Honda, Yamaha, Kawasaki and Suzuki.

Personal Watercraft. PWC include both sit-down and stand-up versions of water scooter vehicles, and are designed for use on lakes, rivers, oceans and bays. PWC are used primarily for recreational purposes and are designed for one, two, three or four passengers. Polaris entered the PWC market in 1992. After many years of rapid growth, the worldwide industry retail sales of PWC peaked at approximately 225,000 units in 1996. Polaris estimates that during the year ended September 30, 2003, worldwide industry retail sales for PWC were approximately 120,000 units, flat with the previous season. Other major PWC manufacturers are Bombardier, Yamaha, Kawasaki and Honda.

Products

All Terrain Vehicles. Polaris entered the ATV market in the spring of 1985. Polaris currently produces four-wheel ATVs, which provide more stability for the rider than earlier three-wheel versions. Polaris' line of ATVs, consisting of seventeen models, includes general purpose, sport and four-wheel drive utility models, with 2004 model year suggested United States retail prices ranging from approximately $2,000 to $7,900. In 2000, Polaris introduced its first youth ATV models. In addition, Polaris has a six-wheel off-road utility vehicle and the Polaris *RANGER™*, an off-road side by side utility and recreational vehicle. In 2001, Polaris expanded its utility line called the Polaris Professional Series (PPS) with a sourced all surface loader product as well as utility task vehicles (UTVs) and a 4X4 and 6X6 ATV (ATV Pro), each of which were modifications of existing products. The main competitors for both *RANGER™* and PPS are John Deere, Kawasaki and Yamaha.

Most of Polaris' ATVs feature the totally automatic Polaris variable transmission, which requires no manual shifting, and a MacPherson strut front suspension, which enhances control and stability. Polaris' on demand AWD provides industry leading traction performance and ride quality thanks to its on demand, easy shift on-the-fly patented design. Polaris' ATVs include two cycle and four cycle engines and both shaft and concentric chain drive. In 1999, Polaris introduced its first manual transmission ATV models. In 2003, Polaris introduced the industry's first electronic fuel injected ATV, the Sportsman 700 EFI.

Prior to 1989, the ATV industry experienced some reduced demand arising from publicity surrounding safety-related and environmental concerns. However, management believes this market has stabilized since 1989 and has sustained consistent growth.

Snowmobiles. Polaris produces a full line of snowmobiles, consisting of thirty-seven models, ranging from youth to utility and economy models to performance and competition models. The 2004 model year suggested United States retail prices ranged from approximately $2,000 to $10,000. Polaris snowmobiles are sold principally in the United States, Canada and Europe. Polaris believes its snowmobiles have a long-standing reputation for quality, dependability and performance. Polaris believes that it and its predecessors were the first to develop several features for wide commercial use in snowmobiles, including independent front suspension, long travel rear suspension, hydraulic disc brakes, liquid cooling for brakes and a three cylinder engine. In 2001, Polaris introduced a new, more environmentally-friendly snowmobile featuring a four-stroke engine designed specifically for snowmobiles.

Motorcycles. In 1998, Polaris began manufacturing V-twin cruiser motorcycles under the Victory™ brand name. Currently Polaris' line of motorcycles consists of four models, the Victory Vegas™, Kingpin™, Touring Cruiser (TC) and a limited edition Arlen Ness Signature Series Vegas™. Suggested United States retail prices for the 2004 model year Victory motorcycles ranged from approximately $15,000 to $20,000.

Personal Watercraft. Polaris entered the personal watercraft market in 1992. Polaris' 2003 line of watercraft consisted of eight models across the touring, performance and racing segments. Management believes that its models had the industry's first three-cylinder engines developed specifically for PWC and that its models were the first to comply with EPA 2006 requirements. In late 2002, Polaris announced its first four stroke engine powered personal watercraft, and in early 2003 announced its entry into the sport boat market with the Polaris EX2100 and LE2100 Sport Boat line, a sourced product from Brunswick Corporation. The

Sport Boat is a full-size, 21 foot runabout boat. The 2004 model year suggested United States retail prices for Polaris' PWC range from approximately $8,000 to $9,700 and $24,000 to $26,000 for the Sport Boat line.

Parts, Garments and Accessories. Polaris produces or supplies a variety of replacement parts and accessories for its ATVs, snowmobiles, motorcycles and PWC. ATV accessories include products such as winches, bumper/brushguards, plows, racks, mowers, tires, pull-behinds, and oil. Snowmobile accessories include products such as covers, traction products, reverse kits, electric starters, tracks, bags, windshields, oil and lubricants. Motorcycle accessories include products such as saddle bags, handlebars, backrests, exhaust, windshields, seats, oil and various chrome accessories. PWC accessories include products such as footwear, goggles, wet suits, life vests, tow ropes, oils and lubricants.

Polaris also markets a full line of recreational apparel including helmets, jackets, bibs and pants, personal flotation devices, leathers and hats for its snowmobile, ATV, motorcycle and PWC lines. The apparel is designed to Polaris' specifications, purchased from independent vendors and sold by Polaris through its dealers and distributors, and online through its e-commerce subsidiary under the Polaris brand name.

Manufacturing and Distribution Operations

Polaris' products are assembled at its original manufacturing facility in Roseau, Minnesota and at its facility in Spirit Lake, Iowa. Since snowmobiles, ATVs, motorcycles and PWC incorporate similar technology, substantially the same equipment and personnel are employed in their production. Polaris is vertically integrated in several key components of its manufacturing process, including stamping, welding, clutch assembly and balancing, painting, cutting and sewing, and manufacture of foam seats. Fuel tanks, hulls, tracks, tires and instruments, and certain other component parts are purchased from third party vendors. Polaris manufactures a number of other components for its snowmobiles, ATVs, motorcycles, and PWC. Raw materials or standard parts are readily available from multiple sources for the components manufactured by Polaris. Polaris' work force is familiar with the use, operation and maintenance of the products, since many employees own snowmobiles, ATVs, motorcycles and PWC. In 1991, Polaris acquired a manufacturing facility in Osceola, Wisconsin to manufacture component parts previously produced by third party suppliers. In 1994, Polaris acquired a manufacturing facility in Spirit Lake, Iowa in order to expand the assembly capacity of the Company. In 1998, Victory motorcycle production began at Polaris' Spirit Lake, Iowa facility. The production includes welding, finish painting, and final assembly. Certain Victory operations, including engine assembly and the bending of frame tubes are conducted at the Osceola, Wisconsin facility. In 2001, all seat manufacturing was moved to a leased facility in St. Croix Falls, Wisconsin. In early 2002, Polaris completed the expansion and renovation of its Roseau manufacturing facility, which is expected to enhance future growth through increased capacity and production flexibility.

In 1998, Polaris completed construction of a plastic injection molding facility adjacent to the Roseau, Minnesota facility. This was a vertical integration project for Polaris in the manufacture of snowmobile hoods and certain large plastic molded parts on ATVs.

Pursuant to informal agreements between Polaris and Fuji Heavy Industries Ltd. ("Fuji"), Fuji was the exclusive manufacturer of Polaris' two-cycle snowmobile engines from 1968 to 1995. Fuji has manufactured engines for Polaris' ATV products since their introduction in the spring of 1985. Fuji develops such engines to the specific requirements of Polaris. Polaris believes its relationship with Fuji to be excellent. If, however, Fuji terminated its relationship, interruption in the supply of engines would adversely affect Polaris' production pending the continued development of substitute supply arrangements.

Polaris has been designing and producing its own engines for selected models of PWC and snowmobiles since 1995 and all Victory motorcycles since 1998. In 2001, Polaris began producing its own engines for select ATV models. Polaris purchased a building adjacent to the Osceola facility to house the manufacturing of these Polaris-designed and built domestic engines.

In addition, Polaris entered into an agreement with Fuji to form Robin Manufacturing, U.S.A. ("Robin") in 1995. Under the agreement, Polaris made an investment for a 40% ownership position in Robin, which builds engines in the United States for recreational and industrial products. Potential advantages to Polaris of these additional sources of engines include reduced foreign exchange risk, lower shipping costs and less dependence in the future on a single supplier for engines. See Note 7 of Notes to Consolidated Financial Statements for a discussion of the Robin agreement.

In 2002, Polaris entered into an agreement with a German manufacturer to co-design, develop and produce four-stroke engines for the new MSX personal watercraft.

Polaris anticipates no significant difficulties in obtaining substitute supply arrangements for other raw materials or components for which it relies upon limited sources of supply.

Contract carriers ship Polaris' products from its manufacturing facilities.

Polaris maintains distribution facilities in Vermillion, South Dakota; Winnipeg, Manitoba; Passy, France; Askim, Norway; Ostersund, Sweden; Gloucester, United Kingdom and Ballarat, Victoria, Australia. These facilities distribute PG&A products to our North American dealers and international dealers and distributors.

Production Scheduling

Polaris' products are produced and delivered throughout the year. Orders for ATVs are placed by the dealers periodically throughout the year. Delivery of snowmobiles to consumers begins in autumn and continues during the winter season. Orders for each year's production of snowmobiles are placed by the dealers in the spring. Orders for PWC are placed by the dealers in autumn after meetings with dealers and distributors. Orders for Victory motorcycles are placed by the dealers in the summer after meetings with dealers. Units are built to order each year. In addition, non-refundable deposits made by consumers to dealers in the spring for pre-ordered snowmobiles assist in production planning. The anticipated volume of units to be produced is substantially committed to by dealers and distributors prior to production. Retail sales activity at the dealer level is monitored by Polaris for snowmobiles, ATVs, motorcycles and PWC and incorporated into each product's production scheduling.

Manufacture of snowmobiles commences in late winter of the previous season and continues through late autumn or early winter of the current season. Polaris manufactures PWC during the fall, winter and spring months. Since 1993, Polaris has had the ability to manufacture ATVs year round. Victory motorcycle manufacturing began in 1998 and continues year round. Polaris has the ability to alternate production of the various products on the existing manufacturing lines as demand dictates.

Sales and Marketing

Polaris products are sold through a network of approximately 2,000 dealers in North America, and five subsidiaries and 40 distributors in 126 countries outside of North America.

Polaris sells its snowmobiles directly to dealers in the snowbelt regions of the United States and Canada. Many dealers and distributors of Polaris snowmobiles also distribute Polaris' ATVs and PWC. At the end of 2003, approximately 1,000 dealerships were located in areas of the United States where snowmobiles are not regularly sold. Unlike its primary competitors, which market their ATV products principally through their affiliated motorcycle dealers, Polaris also sells its ATVs and PWC through lawn and garden, boat and marine, motor sports and farm implement dealers. The Polaris Professional Series product line is sold through a select number of commercial outdoor power equipment dealer locations across North America totaling approximately 150 at December 31, 2003.

With the exception of France, Great Britain, Sweden, Norway, Australia and New Zealand, sales of Polaris' products in Europe and other offshore markets are handled through independent distributors. In 1999, Polaris acquired certain assets of its distributor in Australia and New Zealand and now distributes its products to its dealer network in those countries through a wholly-owned subsidiary. During 2000, Polaris acquired its distributor in France and now distributes its products to its dealer network in France through a wholly-owned subsidiary. In 2002, Polaris acquired certain assets of its distributors in Great Britain, Sweden and Norway and now distributes its products to its dealer networks in Great Britain, Sweden and Norway through wholly-owned subsidiaries. See Notes 1 and 9 of Notes to Consolidated Financial Statements for a discussion of international operations.

Victory motorcycles are distributed direct through authorized Victory dealers. Polaris has a high quality dealer network in North America for its other product lines from which many of the current 300 Victory dealers were selected. Polaris expects to develop a Victory dealer network totaling approximately 400 to 500 dealers over the next three to four years.

Dealers and distributors sell Polaris' products under contractual arrangements pursuant to which the dealer or distributor is authorized to market specified products, required to carry certain replacement parts and perform certain warranty and other services. Changes in dealers and distributors take place from time to time. Polaris believes a sufficient number of qualified dealers and distributors exist in all geographic areas to permit an orderly transition whenever necessary.

In 1996, a wholly-owned subsidiary of Polaris entered into a partnership agreement with a subsidiary of Transamerica Distribution Finance ("TDF") to form Polaris Acceptance. Polaris Acceptance provides floor plan financing to Polaris' dealers in the United States. Under the partnership agreement, Polaris has a 50% equity interest in Polaris Acceptance. Polaris does not guarantee the outstanding indebtedness of Polaris Acceptance. In January 2004, TDF was purchased by GE Commercial Finance, a subsidiary of General Electric Company. No significant change in the Polaris Acceptance relationship is expected from the change of ownership from TDF. See Notes 2 and 6 of Notes to Consolidated Financial Statements for a discussion of this financial services arrangement.

Polaris has arrangements with Polaris Acceptance (United States), TDF affiliates (Canada, France, Great Britain, Ireland, Norway and Sweden) and GE Commercial Corporation (Australia and New Zealand), to provide floor plan financing for its dealers. Substantially all of Polaris' North American sales of snowmobiles, ATVs, PWC, motorcycles and related PG&A are financed under arrangements whereby Polaris is paid within a few days of shipment of its product. Polaris participates in the cost of dealer financing and has agreed to repurchase products from the finance companies under certain circumstances and subject to certain limitations. Polaris has not historically been required to repurchase a significant number of units. However, there can be no assurance that this will continue to be the case. If necessary, Polaris will adjust its sales return allowance at the time of sale should management anticipate material repurchases of units financed through the finance companies. See Notes 2 and 6 of Notes to Consolidated Financial Statements for a discussion of this financial services arrangement.

In October 2001 Household Bank (SB), N.A. ("Household") and a subsidiary of Polaris entered into a Revolving Program Agreement with Household to provide retail financing to consumers who buy Polaris products in the United States. The agreement with Household provides that all income and losses of the retail credit portfolio are shared equally with 50 percent to Polaris and 50 percent to Household. Either party has the right to terminate the agreement if profitability of the portfolio falls below certain minimum levels. Polaris' financial exposure under this agreement is limited to its investment ($36.1 million at December 31, 2003) plus an aggregate amount of not more than $15.0 million. In 2003, approximately 32 percent of the wholegood products sold to consumers in the United States were financed under these arrangements. See Note 6 of Notes to Consolidated Financial Statements for a discussion of this financial services arrangement.

Polaris promotes the Polaris brand among the riding and non-riding public and provides a wide range of products for enthusiasts by licensing the name Polaris. The Company currently licenses the production and sale of a range of items, including die cast toys, video games, and numerous other products.

During 2000, a wholly-owned subsidiary of Polaris established an e-commerce site, purepolaris.com, to sell clothing and accessories over the internet directly to consumers. The site has been developed with a revenue sharing arrangement with the dealers.

Polaris' marketing activities are designed primarily to promote and communicate directly with consumers and secondarily to assist the selling and marketing efforts of its dealers and distributors. Polaris makes available and advertises discount or rebate programs, retail financing or other incentives for its dealers and distributors to remain price competitive in order to accelerate retail sales to consumers. Polaris advertises its products directly using print advertising in the industry press and in user group publications, billboards, television and radio. Polaris also provides media advertising and partially underwrites dealer and distributor media advertising to a degree and on terms which vary by product and from year to year. From time to time, Polaris produces promotional films for its products, which are available to dealers for use in the showroom or at special promotions. Polaris also provides product brochures, leaflets, posters, dealer signs, and miscellaneous other promotional items for use by dealers.

Polaris expended approximately $96.9 million for sales and marketing in 2003, $86.7 million in 2002, and $82.5 million in 2001.

Engineering, Research and Development, and New Product Introduction

Polaris employs approximately 400 persons who are engaged in the development and testing of existing products and research and development of new products and improved production techniques. Management believes Polaris and its predecessors were the first to develop, for wide commercial use, independent front suspension for snowmobiles, long travel rear suspension for snowmobiles, the use of liquid cooling for snowmobile brakes, the use of hydraulic brakes in snowmobiles, the three cylinder engine in snowmobiles and PWC, the adaptation of the MacPherson strut front suspension, "on demand" four-wheel drive systems and the Concentric Drive System for use in ATVs, the application of a forced air cooled variable power transmission system to ATVs and the use of electronic fuel injection for ATVs.

Polaris utilizes internal combustion engine testing facilities to design and optimize engine configurations for its products. Polaris utilizes specialized facilities for matching engine, exhaust system and clutch performance parameters in its products to achieve desired fuel consumption, power output, noise level and other objectives. Polaris' engineering department is equipped to make small quantities of new product prototypes for testing by Polaris' testing teams and for the planning of manufacturing procedures. In addition, Polaris maintains numerous test facilities where each of the products is extensively tested under actual use conditions. In 2003, Polaris announced it would build a 100,000 square-foot research and development facility in Wyoming, Minnesota for engineering, design and development personnel for Polaris' line of ATVs, PWC, and Victory motorcycles. Construction is expected to begin in 2004 and should be completed late in 2005 at a total cost of approximately $30 million.

Polaris expended for research and development approximately $51.8 million in 2003, $45.6 million in 2002, and $35.7 million in 2001.

Competition

The ATV, snowmobile, motorcycle, PWC and utility vehicle markets in the United States and Canada are highly competitive. Competition in such markets is based upon a number of factors, including price, quality, reliability, styling, product features and warranties. At the dealer level, competition is based on a number of factors including sales and marketing support programs (such as financing and cooperative advertising). Certain Polaris competitors are more diversified and have financial and marketing resources which are substantially greater than those of Polaris.

Polaris' products are competitively priced and management believes Polaris' sales and marketing support programs for dealers are comparable to those provided by its competitors. Polaris' products compete with many other recreational products for the discretionary spending of consumers, and, to a lesser extent, with other vehicles designed for utility applications.

Product Safety and Regulation

ATVs, snowmobiles, motorcycles and PWC are subject to extensive federal and state safety, environmental and other government regulation.

Safety regulation. The federal government and individual states have promulgated or are considering promulgating laws and regulations relating to the use and safety of Polaris products. The federal government is the primary regulator of product safety.

Polaris ATVs are subject to vehicle safety standards administered by the U.S. Consumer Product Safety Commission ("CPSC"). In 1988, Polaris, five competitors and the CPSC entered into a ten-year consent decree settling litigation involving CPSC's attempt to force an industry-wide recall of all three-wheel ATVs and four-wheel ATVs sold that could be used by children under 16 years of age.

The settlement required, among other things, that ATV purchasers receive "hands on" training. In April 1998 this consent decree expired, and Polaris entered into a voluntary action plan under which Polaris agreed to continue various activities previously required under the consent decree, including age recommendations, warning labels, point of purchase materials, hands on training and an information and education effort. Polaris also agreed to continue dealer monitoring to ascertain dealer compliance with safety obligations including age recommendations and training requirements.

Polaris does not believe that its voluntary action plan will have a material adverse effect on Polaris or negatively affect its business to any greater degree than those of its competitors who have undertaken similar action plans with the CPSC. Nevertheless, there can be no assurance that future recommendations or regulatory actions by the federal government or individual states would not have an adverse effect on the Company. Polaris will continue to attempt to assure that its dealers are in compliance with their safety obligations. Polaris has notified its dealers that it may terminate or not renew any dealer it determines has violated such safety obligations. Polaris believes that its ATVs have always complied with safety standards relevant to ATVs.

Polaris snowmobiles are subject to vehicle safety standards administered by the CPSC. Polaris is a member of the International Snowmobile Manufacturers Association ("ISMA"), a trade association formed to promote safety in the manufacture and use of snowmobiles, among other things. ISMA members include all of the major snowmobile manufacturers. The ISMA members are also members of the Snowmobile Safety and Certification Committee, which promulgated voluntary sound and safety standards for snowmobiles. These standards require testing and evaluation by an independent testing laboratory. Polaris believes that its snowmobiles have always complied with safety standards relevant to snowmobiles.

Polaris PWC are subject to federal vehicle safety standards administered by the U.S. Coast Guard. Polaris continues to work with the U.S. Coast Guard to develop standards and to evaluate PWC safety matters. Polaris believes that its PWC have always complied with safety standards relevant to PWC.

Victory motorcycles are subject to federal vehicle safety standards administered by the National Highway Transportation Safety Administration. Victory motorcycles are also subject to various state vehicle safety standards. Polaris believes that its motorcycles have always complied with safety standards relevant to motorcycles.

Emissions. The federal Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB") have adopted emissions regulations setting maximum emission standards for ATVs, PWC and snowmobiles. CARB has existing emission regulations for ATVs which the Company already meets. In October 2002, the EPA established new corporate average emission standards that take effect in model years 2006 through 2012 for non-road recreational vehicles, including ATVs and snowmobiles. The Company is currently developing engine and emission technologies that will be used along with its existing technology base to meet these requirements.

The EPA has existing regulations requiring PWC manufacturers to gradually reduce their average emissions between 1999 and 2006. CARB accelerated this scheduled emission reduction by requiring manufacturers to meet the EPA 2006 emission level by 2001 and requiring further emission reductions by 2004 and 2008. Conventional two-stroke cycle engines cannot meet these more restrictive PWC emission requirements. Polaris has entered into a license agreement with Bombardier Motor Corporation of America to use the Ficht fuel injection technology which has been used to meet current PWC emission requirements. In

2002, Polaris entered into an agreement with a German manufacturer to supply four-stroke PWC engines. Both technologies may be used in PWC and other Polaris vehicles to meet emission standards in the future.

Victory motorcycles are subject to federal and state emission standards and regulations. Polaris believes that its motorcycles have always complied with applicable standards and related regulations, including the model year 2004 CARB emission standards. The CARB regulations require additional motorcycle emission reductions in model year 2008. In January 2004, the EPA adopted the CARB emission limits, but is allowing an additional two model years to meet the CARB 2004 and 2008 requirements on a nationwide basis.

Polaris is unable to predict the ultimate impact of the adopted or proposed regulations on Polaris and its business. Polaris is currently developing and obtaining engine and emission technologies that will meet the requirements of the new emission standards. Polaris believes that its Victory motorcycles, ATVs, PWC and snowmobiles have always complied with applicable emission standards and related regulations.

Use regulation. State and federal laws and regulations have been promulgated or are under consideration relating to the use or manner of use of Polaris' products. Some states and localities have adopted, or are considering adoption of, legislation and local ordinances which restrict the use of PWC or ATVs to specified hours and locations. The federal government also has restricted the use of ATVs, PWC and snowmobiles in some national parks. In several instances this restriction has been a ban on the recreational use of these vehicles.

Polaris is unable to predict the outcome of such actions or the possible effect on its business. Polaris believes that its business would be no more adversely affected than those of its competitors by the adoption of any pending laws or regulations. Polaris continues to monitor these activities in conjunction with industry associations and supports balanced and appropriate programs that educate the product user on safe use of its products and how to protect the environment.

Product Liability

Polaris' product liability insurance limits and coverages were adversely affected by the general decline in the availability of liability insurance starting in 1985. As a result of the high cost of premiums, and the historically insignificant amount of claims paid by Polaris, Polaris was self-insured from June 1985 to June 1996. In June 1996, Polaris purchased excess insurance coverage for catastrophic product liability claims for incidents occurring subsequent to the policy date that exceeded its self-insured retention levels. In September 2002, due to insurance market conditions resulting in significantly higher proposed premium costs, Polaris again elected not to purchase insurance for product liability losses. The estimated costs resulting from any losses are charged to expense when it is probable a loss has been incurred and the amount of the loss is reasonably determinable.

Product liability claims are made against Polaris from time to time. From 1981 through 2003, Polaris and its predecessors paid an aggregate of approximately $12.6 million in product liability claims. Polaris has recorded an accrued liability on its balance sheet of $5.7 million at December 31, 2003 for the possible payment of pending claims. Polaris believes such accruals are adequate. Polaris does not believe the outcome of any pending product liability litigation will have a material adverse effect on the operations of Polaris. However, no assurance can be given that its historical claims record, which did not include ATVs prior to 1985, PWC prior to 1992, or motorcycles prior to 1998, will not change or that material product liability claims against Polaris will not be made in the future. Adverse determination of material product liability claims made against Polaris would have a material adverse effect on Polaris' financial condition. See Note 8 of Notes to Consolidated Financial Statements.

Product Warranties

Polaris provides a limited warranty for ATVs for a period of six months and for a period of one year for its snowmobiles, motorcycles, PPS and PWC products. Polaris may provide longer warranties related to certain promotional programs, as well as longer warranties in certain geographical markets as determined by local regulations and market conditions. Although Polaris employs quality control procedures, a product is sometimes distributed which needs repair or replacement. Polaris' standard warranties require the Company or its dealers to repair or replace defective products during such warranty periods at no cost to the consumer. Historically, product recalls have been administered through Polaris' dealers and distributors and have not had a material effect on Polaris' business. See Note 1 of Notes to Consolidated Financial Statements.

Effects of Weather

Lack of snowfall in any year in any particular region of the United States or Canada may adversely affect snowmobile retail sales and related PG&A sales in that region. Polaris seeks to minimize this potential effect by stressing pre-season sales (see "Production Scheduling") and shifting dealer inventories from one location to another and by balancing production to retail sales and industry conditions. However, there is no assurance that weather conditions would not have a material effect on Polaris' sales of ATVs, snowmobiles, motorcycles, PWC or PG&A.

Employment

Due to the seasonality of the Polaris business and certain changes in production cycles, total employment levels vary throughout the year. Despite such variations in employment levels, employee turnover has not been high. During 2003, Polaris employed an average of approximately 3,400 persons. Approximately 1,400 of its employees are salaried. Polaris considers its relations with its employees to be excellent. Polaris' employees have not been represented by a union since July 1982.

Available Information

Polaris' Internet website is http://www.polarisindustries.com. Polaris makes available free of charge, on or through its website, its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the Securities and Exchange Commission. Polaris also makes available through its website its corporate governance materials, including its Corporate Governance Guidelines, the charters of the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Technology Committee of its Board of Directors and its Code of Business Conduct and Ethics. Any shareholder wishing to receive a copy of these corporate governance materials should write to Polaris Industries Inc., 2100 Highway 55, Medina, Minnesota 55340, Attention: Investor Relations. Information contained on Polaris's website is not part of this report.

Item 2. Properties

The following sets forth the Company's material facilities as of December 31, 2003.

Location	Facility Type/Use	Owned or Leased	Square Footage
Spirit Lake, Iowa	Whole Goods Manufacturing	Owned	270,800
Spirit Lake, Iowa	R & D Building	Leased	10,500
Spirit Lake, Iowa	Warehouse	Leased	10,000
Medina, Minnesota	Headquarters	Owned	130,000
Roseau, Minnesota	Whole Goods Manufacturing	Owned	637,000
Roseau, Minnesota	Injection Molding	Owned	57,000
Vermillion, South Dakota	Distribution Center	Owned	256,000
Vermillion, South Dakota	Warehouse	Leased	18,000
Osceola, Wisconsin	Component Parts Manufacturing	Owned	192,500
Osceola, Wisconsin	Engine Manufacturing	Owned	97,000
St. Croix Falls, Wisconsin	Component Parts Manufacturing	Leased	59,500
Ballarat, Victoria, Australia	Office and Warehouse	Leased	12,000
Winnipeg, Manitoba, Canada	Office and Warehouse	Leased	48,000
Passy, France	Office and Warehouse	Leased	10,000
Askim, Norway	Office and Warehouse	Leased	10,760
Ostersund, Sweden	Office and Warehouse	Leased	14,280
Gloucester, United Kingdom	Office and Warehouse	Leased	8,650

Polaris owns substantially all tooling and machinery (including heavy presses, conventional and computer-controlled welding facilities for steel and aluminum, assembly lines, paint lines, and sewing lines) used in the manufacture of its products. Polaris makes ongoing capital investments in its facilities. These investments have increased production capacity for ATVs, snowmobiles, motorcycles and PWC. The Company believes Polaris' manufacturing facilities are adequate in size and suitable for its present manufacturing needs.

Item 3. Legal Proceedings

Polaris is involved in a number of legal proceedings, none of which is expected to have a material effect on the financial condition or the business of Polaris.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

Executive Officers of the Registrant

Set forth below are the names of the executive officers of the Company as of March 1, 2004, their ages, titles, the year first appointed as an executive officer of the Company, and employment for the past five years:

Name	Age	Title
Thomas C. Tiller	42	Chief Executive Officer and President
Jeffrey A. Bjorkman	44	Vice President — Operations
John B. Corness	49	Vice President — Human Resources
Michael W. Malone	45	Vice President — Finance, Chief Financial Officer and Secretary
Mary P. McConnell	51	Vice President and General Counsel
Kenneth J. Sobaski	48	Vice President — Sales, Marketing and Business Development

Executive officers of the Company are elected at the discretion of the Board of Directors with no fixed term. There are no family relationships between or among any of the executive officers or directors of the Company.

Mr. Tiller was named President and Chief Operating Officer of the Company in July 1998. In 1999, Mr. Tiller was promoted to his present position of Chief Executive Officer of the Company. Prior to joining Polaris, Mr. Tiller was employed by General Electric Company in various management positions for fifteen years.

Mr. Bjorkman has been Vice President — Operations of the Company since July 2000. Mr. Bjorkman had been Vice President — Manufacturing since January 1995, and prior thereto held positions of Plant Manager and Manufacturing Engineering Manager since July 1990. Prior to joining Polaris, Mr. Bjorkman was employed by General Motors Corporation in various management positions for nine years.

Mr. Corness has been Vice President — Human Resources of the Company since January 1999. Prior to joining Polaris, Mr. Corness was employed by General Electric Company in various human resource positions for nine years. Before that time, Mr. Corness held various human resource positions with Maple Leaf Foods and Transalta Utilities.

Mr. Malone has been Vice President — Finance, Chief Financial Officer and Secretary of the Company since January 1997. Mr. Malone was Vice President and Treasurer of the Company from December 1994 to January 1997 and was Chief Financial Officer and Treasurer of a predecessor company of Polaris from January 1993 to December 1994. Prior thereto and since 1986, he was Assistant Treasurer of a predecessor company of Polaris. Mr. Malone joined Polaris in 1984 after four years with Arthur Andersen LLP.

Ms. McConnell joined Polaris as Vice President and General Counsel in March 2003. Just prior to joining Polaris, Ms. McConnell was General Counsel for the Control Products Division of Honeywell. From 1995 to 2002, Ms. McConnell was the Senior Vice President, General Counsel and Secretary of Genmar Holdings, Inc. Before that time, Ms. McConnell was a partner with the law firm of Lindquist & Vennum, and held various positions with the Dakota County Attorneys' Office, and the U.S. Corps of Engineers.

Mr. Sobaski has been Vice President — Sales, Marketing and Business Development since April 2002. Mr. Sobaski had been Vice President — Marketing and Business Development of the Company since September 2001. Prior to joining Polaris, Mr. Sobaski was employed by ConAgra Foods, Inc. as President of ConAgra Grocery Brands from 1999 to October 2001 and held various senior sales and marketing management positions at The Pillsbury Company from 1992 to 1998. Before that time, Mr. Sobaski held various management positions at The Drackett Company (a division of Bristol-Meyers Squibb), Kraft Foods and General Mills spanning a thirteen-year period.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information under the caption "Other Investor Information" appearing on the inside back cover of the Company's 2003 Annual Report is incorporated herein by reference.

Item 6. Selected Financial Data

The information under the caption "11-Year Selected Financial Data" appearing on pages 22 and 23 of the Company's 2003 Annual Report is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion pertains to the results of operations and financial position of the Company for each of the three years in the period ended December 31, 2003, and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included elsewhere in this report. Shares outstanding and earnings per share data have been adjusted throughout the document to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

Executive-Level Overview

For the full year ended December 31, 2003, Polaris reported record net income of $110.9 million or $2.46 per diluted share, a 12 percent increase over $2.19 per diluted share for the year ended December 31, 2002. Sales for the full year ended December 31, 2003 totaled a record $1.606 billion, up six percent from $1.521 billion for the full year 2002. The Company's product lines consist of all-terrain recreational and utility vehicles (ATVs), snowmobiles, personal watercraft (PWC), motorcycles and related parts, garments and accessories (PG&A). ATVs is the largest product line representing 65 percent of Polaris' sales in 2003. The increase in sales in 2003 was largely due to the continued growth in the Company's ATV business. ATV sales grew eleven percent in 2003 over 2002, a direct result of new product introductions during the year. Although the ATV industry is competitive, the Company remains confident in its ATV business because of the number of new products in development and the anticipated continued growth of the overall ATV industry. The Company sells its products through a network of nearly 2,000 dealers in North America and five subsidiaries and 40 distributors in 126 countries outside North America. The Company has increased its foreign presence with sales outside of North America representing 10 percent of total Company sales in 2003 compared to six percent in 2002. The Company's gross profit in 2003 increased eight percent over 2002 primarily due to the higher sales volume and an increase in the gross profit margin percentage to 22.4 percent of sales in 2003 from 21.8 percent in 2002. Net income for the Company increased seven percent in 2003 over 2002.

Overall, 2003 was a good year for the Company. We faced three main challenges in 2003; the slow start to the economic recovery driven by the war in Iraq, poor snowfall which has impacted our snowmobile business, and an aggressive competitive environment, particularly in ATVs. We were successful in overcoming these challenges and our business and financial results remained solid throughout 2003.

Results of Operations

2003 vs. 2002

Sales increased to $1.606 billion in 2003, representing a six percent increase from $1.521 billion in 2002. The increase in sales was due to higher sales volume primarily from ATVs, Victory motorcycles and PG&A along with favorable currency rate movement in 2003, partially offset by lower snowmobile sales.

Sales of ATVs of $1,043.2 million in 2003 were 11 percent higher than $937.9 million in 2002. The increase in sales is a direct result of new product introductions including the All Terrain Pickup (ATP) which was named 2004 "ATV of the Year" by *ATV Magazine,* the introduction of the new Sportsman™ 700 EFI (electronic fuel injection) ATV, the first EFI 4 x 4 in the industry, continued strength of the *RANGER*™ utility vehicle product line and strong international sales growth. This sales growth offset higher promotional costs incurred during the year. The average per unit sales price increased six percent due to the mix impact of the new products introduced during 2003 and favorable currency rates. Sales of ATVs comprised 65 percent of total Company sales in 2003 compared to 62 percent in 2002.

Sales of snowmobiles of $229.2 million in 2003 were 22 percent lower than $293.4 million in 2002. The decrease was due to the lack of significant snowfall the previous season throughout much of North America, which resulted in a planned overall lower production schedule for the 2003 calendar year. As a result of the conservative production schedule in 2003, dealer inventories of Polaris snowmobiles at December 31, 2003 were significantly lower than in the prior year. The average per unit sales price increased seven percent as a higher percentage of higher priced performance snowmobiles were sold in 2003 versus 2002, as well as the impact of favorable currency rates. Sales of snowmobiles comprised 14 percent of total Company sales in 2003 compared to 19 percent in 2002.

Sales of Victory motorcycles of $57.4 million in 2003 were 70 percent higher than $33.8 million in 2002. The increase is primarily attributable to the positive acceptance of the new Vegas model, which was named the year's best cruiser motorcycle by four leading motorcycle enthusiast magazines. Shipments to dealers of the new Kingpin cruiser motorcycle began in the fourth quarter 2003. The average per unit sales price for motorcycles increased 15 percent, which was driven by product mix change as the higher priced Victory Vegas continued to gain recognition and acceptance by the consumer. Sales of Victory motorcycles comprised four percent of total Company sales in 2003 compared to two percent in 2002.

Sales of PWC of $53.5 million in 2003 were one percent higher than $53.1 million in 2002. The slow growth was primarily due to the soft economy which resulted in relatively flat industry retail sales in 2003 and a later transition to 2004 model year production in preparation for manufacturing of the new four stroke MSX personal watercraft. The average per unit sales price for PWC increased 16 percent due to a product mix change as more of the higher horsepower, direct injected, higher priced MSX personal watercraft were sold in 2003 versus 2002. Sales of PWC comprised three percent of total Company sales in 2003 compared to four percent in 2002.

Sales of PG&A of $222.5 million in 2003 were 10 percent higher than $203.1 million in 2002. The PG&A business was positively impacted by balanced growth during the year across each product line, with the exception of snowmobile related PG&A products. PG&A sales comprised 14 percent of total Company sales in 2003, compared to 13 percent in 2002.

Gross profit increased to $360.0 million in 2003, representing an eight percent increase over the $332.3 million gross profit in 2002. This increase in gross profit dollars was a result of higher sales volume and an increase in gross profit margin percentage to 22.4 percent of sales in 2003 from 21.8 percent in 2002. The gross profit margin for the full year 2003 continued to benefit from several ongoing initiatives, including continued efficiency gains from the Roseau facility redesign; savings from various cost reduction initiatives; and higher margins in the international business generated from the new dealer direct distribution models in Great Britain, Sweden and Norway. A net positive impact of currency fluctuations during the year also contributed to improved gross margins. These improvements, in aggregate, were offset somewhat by a higher level of promotional expenses required in 2003. Warranty expenses increased 20 percent to $27.8 million for the year ending December 31, 2003 compared to $23.2 million in the prior year. This increase in warranty expense in 2003 is principally the result of the following: (a) ATV, snowmobile and PWC product recalls in the 2003 period which resulted in additional warranty expense recorded, (b) the Company's decision to provide extended coverage of certain claims relating to prior model year snowmobiles that were out of the warranty period but had low mileage due to the lack of snowfall in prior years and (c) longer warranty periods offered for snowmobiles through certain promotional programs.

Operating expenses in 2003 increased 12 percent to $216.9 million from $194.0 million in 2002. Expressed as a percentage of sales, operating expenses increased to 13.5 percent in 2003 from 12.8 percent in 2002. Operating expenses increased for the full year 2003 primarily due to the continuation of initiatives taken to accelerate the design and introduction of new products and the added expense of the new international subsidiaries. Research and development expenses increased 14 percent in 2003 as the Company continued to invest in reducing the lead time for designing, developing and introducing new products as well as to increase the success rate of new product introductions. Sales and marketing expenses increased 12 percent in 2003 as Polaris committed additional resources toward upgrading the distribution network of nearly 2,000 dealers in North America in the area of sales, service, merchandising and strengthening of the Polaris brand through advertising efforts to accelerate future growth. General and administrative expenses increased 11 percent in 2003 primarily related to additional expenses of the new international subsidiaries.

Income from financial services in 2003 increased 61 percent to $23.6 million compared to $14.6 million for 2002 primarily due to growth in the percentage of consumers making use of available retail financing options and increases in Company-sponsored retail finance sales incentives. The credit quality of the retail credit portfolio has remained stable and retail credit losses, which have averaged slightly above three percent of the portfolio balance, continue to be in line with expectations.

Non-operating other income decreased from 2002 levels due to the effects of foreign currency hedging transactions related primarily to the Canadian dollar.

Net income in 2003 was $110.9 million, an increase of seven percent from $103.6 million in 2002. Net income as a percent of sales was 6.9 percent in 2003, an increase from 6.8 percent in 2002. Net income per diluted share increased 12 percent to $2.46 in 2003 from $2.19 in 2002.

2002 vs. 2001

Sales increased to $1.521 billion in 2002, representing a two percent increase from $1.488 billion in 2001. The increase in sales was primarily due to higher ATV and Victory motorcycle sales, partially offset by lower snowmobile sales and related parts, garments and accessories sales in 2002.

Sales of ATVs of $937.9 million in 2002 were 13 percent higher than $827.0 million in 2001. The increased sales reflected the continued growth of both Polaris and the industry as consumers found new and expanded uses for the product as well as the introduction of several new products including the Sportsman 700 Twin, introduced in late 2001, and the Sportsman 600 and sport ATV, the Predator, both introduced in 2002. Additionally, the new Polaris Professional Series continued to develop and sales of the *RANGER* line of utility vehicles increased significantly over 2001. The increased sales were also helped by a product mix driven average per unit sales price increase of five percent due to the new products introduced during the 2002 year. Sales of ATVs comprised 62 percent of total Company sales in 2002 compared to 56 percent in 2001.

Sales of snowmobiles of $293.4 million in 2002 were 21 percent lower than $373.0 million in 2001. The decrease was due to lower unit shipments to dealers after a winter of poor snow conditions. The decrease in sales was partially offset by a product mix driven increase in the average per unit sales price of three percent as a higher percentage of higher-priced mountain and performance snowmobiles were sold in 2002 versus 2001. Sales of snowmobiles comprised 19 percent of total Company sales in 2002 compared to 25 percent in 2001.

Sales of PWC of $53.1 million in 2002 were 12 percent lower than $60.3 million in 2001. The decrease was primarily due to the soft economy which resulted in an overall decline in industry retail sales in 2002 and timing of shipments as the Company began shipments of the 2003 PWC models to dealers later than in prior years. The average per unit sales price for PWC increased two percent due to product mix change as higher horsepower, direct injected, higher-priced PWC were sold in 2002 versus 2001. Sales of PWC comprised four percent of total Company sales in 2002 and 2001.

Sales of Victory motorcycles of $33.8 million in 2002 were 81 percent higher than $18.7 million in 2001. The increase was primarily attributable to the continued growth in the motorcycle industry, improvement in Victory's dealership network and continued positive acceptance of several new product introductions. The average per unit sales price for motorcycles increased 13 percent, which was driven by lower promotional costs required in 2002 compared to 2001 as the Victory brand continued to gain recognition and acceptance by the consumer. Sales of Victory motorcycles comprised two percent of total Company sales in 2002 compared to one percent in 2001.

Sales of PG&A of $203.1 million in 2002 were three percent lower than $208.7 million in 2001. The PG&A business was negatively impacted by the lack of significant snowfall in much of the primary riding areas of North America during 2002. Sales of snowmobile related PG&A have traditionally represented approximately 40 percent of total PG&A sales; however, for the full year 2002, sales of snowmobile related items represented only about 30 percent of total PG&A sales, a direct result of the lack of snowfall. On the positive side, PG&A sales for the full year 2002 increased 13 percent for the other product lines primarily as a result of growth in the ATV, *RANGER* and motorcycle product lines, added product offerings across all lines, improved PG&A quality and emphasis on selling solutions to the customer. PG&A sales comprised 13 percent of total Company sales in 2002, compared to 14 percent in 2001.

Gross profit increased to $332.3 million in 2002, representing an eight percent increase over the $307.0 million gross profit in 2001. This increase in gross profit dollars was a result of higher sales volume and an increase in gross profit margin percentage to 21.8 percent in 2002 from 20.6 percent in 2001. The improvement in the gross profit margin for 2002 was generated by a number of initiatives the Company had implemented, including efficiency gains from the Roseau facility redesign; changes in the sales mix resulting from the new products introduced over the past several quarters; savings from various cost reduction initiatives; and lower warranty expense resulting from quality improvements. These were all offset somewhat by lower sales in the high margin PG&A business and a higher level of promotional expenses required in 2002. The warranty expense decreased 30 percent to $23.2 million for the year ended December 31, 2002 compared to $33.4 million for the same period in the prior year. The decrease in warranty expense was primarily the result of the following: (a) higher quality products manufactured across all product lines, (b) lower snowmobile sales in 2002 compared to 2001, which traditionally have higher per unit warranty costs than other products, (c) tighter control of the out of warranty period approval process resulting in fewer claims being approved for payment, and (d) less consumer usage of snowmobiles in 2002 due to the lack of good snowfall during the riding season.

Operating expenses in 2002 increased nine percent to $194.0 million from $177.2 million in 2001. Expressed as a percentage of sales, operating expenses increased to 12.8 percent in 2002 from 11.9 percent in 2001. Operating expenses increased in 2002 as a result of efforts to accelerate new product introductions and improve the dealer channel. Research and development expenses in 2002 increased 28 percent to $45.6 million (3.0 percent of sales) from $35.7 million (2.4 percent of sales) in 2001, as the Company moved to accelerate the time it takes to design, develop and introduce new products as well as increase the success rate of new product introductions. In 2002, more than 59 percent of sales came from products introduced in the prior three years. Additionally, the Company committed additional resources toward upgrading the distribution network of approximately 2,000 dealers in North America in the area of sales, service, merchandising and strengthening of the Polaris brand to accelerate future growth.

Interest expense declined 67 percent as a result of lower interest rates and lower average debt levels on borrowings under the credit agreements in 2002 compared to 2001.

Non-operating other income increased from 2001 due to the favorable effects of foreign currency hedging transactions related to the Canadian dollar exposure and balance sheet translation of foreign subsidiaries in 2002.

The provision for income taxes decreased from a rate of 34.5 percent of pre-tax income in 2001 to 32.8 percent of pre-tax income in 2002 due primarily to increased benefit from the foreign sales corporation and the impact of tax initiatives the Company implemented.

Net income in 2002 was $103.6 million, an increase of 13 percent from $91.4 million in 2001. Net income as a percent of sales was 6.8 percent in 2002, an increase from 6.1 percent in 2001. Net income per diluted share increased 13 percent to $2.19 in 2002 from $1.94 in 2001.

Critical Accounting Policies

The significant accounting policies that management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include the following: revenue recognition, sales promotions and incentives, product warranties and product liability.

Revenue recognition: Revenues are recognized at the time of shipment to the dealer or distributor. Historically, product returns, whether in the normal course of business or resulting from repurchases made under the floorplan financing program have not been material. However, Polaris has agreed to repurchase products repossessed by the finance companies up to certain limits. Polaris' financial exposure is limited to the difference between the amount paid to the finance companies and the amount received on the resale of the repossessed product. No material losses have been incurred under these agreements. Polaris has not historically recorded any significant sales return allowances because it has not been required to repurchase a significant number of units. However, an adverse change in retail sales could cause this situation to change.

Sales promotions and incentives: Polaris generally provides for estimated sales promotion and incentive expenses, which are recognized as a reduction to sales, at the time of sale to the dealer or distributor. Examples of sales promotion and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and sales associate incentives. Sales promotion and incentive expenses are estimated based on current programs and historical rates for each product line. Polaris records these amounts as a liability in the consolidated balance sheet until they are ultimately paid. At December 31, 2003 and 2002, accrued sales promotions and incentives were $63.5 million and $39.5 million, respectively, reflecting a significant increase in the ATV sales promotions and incentives environment during 2003. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if the customer usage rate varies from historical trends. Adjustments to sales promotions and incentives accruals are made from time to time as actual usage becomes known in order to properly estimate the amounts necessary to generate consumer demand based on market conditions as of the balance sheet date. Historically, sales promotion and incentive expenses have been within the Company's expectations and differences have not been material.

Dealer holdback programs: Polaris provides dealer incentive programs whereby at the time of shipment Polaris withholds an amount from the dealer until ultimate retail sale of the product. Polaris records these amounts as a liability on the consolidated balance sheet until they are ultimately paid. Payments are generally made to dealers twice each year, in the first quarter and the third quarter, subject to previously established criteria. Polaris recorded accrued liabilities of $73.6 million and $73.7 million for dealer holdback programs in the consolidated balance sheets as of December 31, 2003 and 2002, respectively.

Product warranties: Polaris provides a limited warranty for ATVs for a period of six months and for a period of one year for its snowmobiles, motorcycles and PWC products. Polaris may provide longer warranties related to certain promotional programs, as well as longer warranties in certain geographical markets as determined by local regulations and market conditions. Polaris' standard warranties require the Company or its dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The warranty reserve is established at the time of sale to the dealer or distributor based on management's best estimate using historical rates and trends. Polaris records these amounts as a liability in the consolidated balance sheet until they are ultimately paid. At December 31, 2003 and 2002, the warranty reserve was $30.7 million and $30.9 million, respectively. Adjustments to the warranty reserve are made from time to time based on actual claims experience in order to properly estimate the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. While management believes that the warranty reserve is adequate and that the judgment applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future.

Product liability: Polaris is subject to product liability claims in the normal course of business. Polaris self insures its product liability claims. The estimated costs resulting from any losses are charged to operating expenses when it is probable a loss has been incurred and the amount of the loss is reasonably determinable. The Company utilizes historical trends and actuarial analysis tools to assist in determining the appropriate loss reserve levels. At December 31, 2003 and 2002 the Company had accruals of $5.7 million and $6.0 million, respectively, for the possible payment of pending claims. These accruals are included in other accrued expenses in the accompanying consolidated balance sheets. Historically, losses for product liability claims have been equal to or lower than estimates of possible claims. While management believes the product liability reserve is adequate, adverse determination of material product liability claims made against the Company could have a material adverse effect on Polaris' financial condition.

Liquidity and Capital Resources

Polaris' primary sources of funds have been cash provided by operating activities and borrowings under credit arrangements of $250.0 million. Polaris' primary uses of funds have been for repayments under the credit agreement, repurchase and retirement of common stock, capital investments, cash dividends to shareholders and new product development.

During 2003, Polaris generated net cash from operating activities of $155.8 million, down 19 percent from 2002. The net cash was utilized for the repurchase of shares of common stock of $73.1 million, to fund capital expenditures of $61.4 million and to pay cash dividends of $26.7 million. During 2002, Polaris generated net cash from operating activities of $192.8 million, which was utilized to fund capital expenditures of $56.6 million, repurchase shares of common stock of $76.4 million and pay cash dividends of $25.3 million.

The seasonality of production and shipments causes working capital requirements to fluctuate during the year. Polaris has an unsecured bank line of credit arrangement with maximum available borrowings of $150.0 million expiring on June 27, 2006. In addition, Polaris has a 364-day unsecured bank line of credit arrangement expiring on June 25, 2004 of $100.0 million, which management currently expects to extend beyond 2004 as has been done in the past. These arrangements provide borrowing for working capital needs and the repurchase and retirement of shares of common stock. Borrowings under the lines of credit bear interest based on LIBOR or "prime" rates. At December 31, 2003 and 2002, Polaris had total borrowings under the lines of credit of $18.0 million. The Company's debt to total capital ratio was five percent at December 31, 2003 compared to six percent at December 31, 2002. Polaris has entered into an interest rate swap agreement to manage exposures to fluctuations in interest rates. At December 31, 2003, the effect of this agreement was to fix the interest rate at 7.21 percent for $18.0 million of any borrowing until June 2007.

The following table summarizes the Company's significant future contractual obligations at December 31, 2003 (in millions):

	Total	$<$ 1 Year	1-3 Years	$>$ 3 Years
Borrowings under credit agreement	$18.0	—	$18.0	—
Operating leases	5.6	$2.3	3.1	$0.2
Capital leases	1.0	0.6	0.3	0.1
Total	$24.6	$2.9	$21.4	$0.3

Additionally, at December 31, 2003, Polaris had letters of credit outstanding of $3.7 million related to purchase obligations for raw materials. The Company has no off balance sheet arrangements other than operating leases which are included in the table above.

The Polaris Board of Directors has authorized the cumulative repurchase of up to 23.0 million shares of the Company's common stock. During 2003, Polaris paid $73.1 million to repurchase and retire 2.5 million shares. Polaris had 4.4 million shares available to repurchase under the Board of Directors authorization as of December 31, 2003.

Polaris has arrangements with certain finance companies (including Polaris Acceptance) to provide floor plan financing for its dealers. These arrangements provide liquidity by financing dealer purchases of Polaris products without the use of Polaris' working capital. Substantially all of the worldwide sales of snowmobiles, ATVs, motorcycles and PWC and related PG&A are financed under these arrangements whereby Polaris receives payment within a few days of shipment of the product. The amount financed by worldwide dealers under these arrangements at December 31, 2003 and 2002, was approximately $694.0 million and

$667.0 million, respectively. Polaris participates in the cost of dealer financing up to certain limits. Polaris has agreed to repurchase products repossessed by the finance companies up to an annual maximum of no more than 15 percent of the average amount outstanding. Polaris' financial exposure under these agreements is limited to the difference between the amount paid to the finance companies and the amount received on the resale of the repossessed product. No material losses have been incurred under these agreements. However, an adverse change in retail sales could cause this situation to change and thereby require Polaris to repurchase repossessed units.

In 1996, a wholly owned subsidiary of Polaris entered into a partnership agreement with a subsidiary of TDF to form Polaris Acceptance. Polaris Acceptance provides floor plan financing to Polaris' dealers in the United States. Polaris' subsidiary has a 50 percent equity interest in Polaris Acceptance. The receivable portfolio is recorded on Polaris Acceptance's books, which is consolidated onto TDF's books and is funded 85 percent with a loan from an affiliate of TDF ($496.1 million at December 31, 2003) and 15 percent by cash investment shared equally between the two partners. Polaris has not guaranteed the outstanding indebtedness of Polaris Acceptance. This agreement provides for periodic options for renewal, purchase, or termination by either party. Substantially all of Polaris' U.S. sales are financed through Polaris Acceptance whereby Polaris receives payment within a few days of shipment of the product.

Beginning in 1999, Polaris Acceptance entered into an Income Sharing Agreement with Transamerica Retail Financial Services (TRFS), a subsidiary of TDF. TRFS provided private label retail credit financing to Polaris consumers through Polaris dealers in the United States. In October 2001, TRFS sold a significant portion of the retail portfolio to Household Bank (SB), N.A. (Household). The remaining amount financed by consumers through TRFS was liquidated in 2002.

Polaris' investment in Polaris Acceptance is accounted for under the equity method, and is recorded as a component of Investments in Finance Affiliate and Retail Credit Deposit in the accompanying consolidated balance sheets. The partnership agreement provides that all income and losses of the floor plan portfolio are shared 50 percent by Polaris' wholly owned subsidiary and 50 percent by TDF's subsidiary. Polaris' allocable share of the income of Polaris Acceptance has been included as a component of Income from Financial Services in the accompanying consolidated statements of income. As of December 31, 2003, the wholesale portfolio for dealers in the United States was $580.9 million, a one percent decrease from $585.2 million at December 31, 2002. Credit losses in this portfolio have been modest, averaging less than one percent of the portfolio over the seven-year life of the partnership.

In October 2001, a wholly owned subsidiary of Polaris entered into agreements with Household and an affiliate of Household to provide private label retail credit financing through installment and revolving loans to Polaris consumers through Polaris dealers in the United States. The receivable portfolio is owned and managed by Household and its affiliate and is funded by Household and its affiliate except to the extent of a cash deposit by Polaris' subsidiary equal to 7.5 percent of the revolving credit portfolio balance. Polaris' deposit with Household is reflected as a component of Investments in Finance Affiliate and Retail Credit Deposit in the accompanying consolidated balance sheets. Polaris' subsidiary participates in 50 percent of the profits or losses of the revolving credit portfolio. Polaris' allocable share of the income from the retail credit portfolio has been included as a component of Income from Financial Services in the accompanying consolidated statements of income. Under the terms of the agreements, either party has the right to terminate the agreements if profitability of the portfolio falls below certain minimum levels. Polaris' financial exposure under this agreement is limited to its deposit ($36.1 million at December 31, 2003) plus an aggregate amount of not more than $15.0 million.

The Household retail credit portfolio balance as of December 31, 2003, was $517.4 million, up substantially from $329.0 million at December 31, 2002. As expected, this portfolio continues to grow rapidly as the penetration rate increases from better linkage with the Company's promotional efforts. In 2003, approximately 32 percent of the wholegoods products sold to consumers in the United States were financed under this arrangement, up from 23 percent in 2002. Receivable losses for this retail credit portfolio have remained relatively stable, averaging slightly above three percent of the portfolio, in line with expectations as the portfolio continues to mature. The Company has established adequate reserves for the retail credit portfolio and, together with Household, continues to pay close attention to loss reserve levels and to monitor delinquency trends closely.

Improvements in manufacturing capacity and product development include (a) expenditures of $3.0 million for the expansion of the research and development facility at the Roseau, Minnesota location, (b) tooling expenditures for new product development across all product lines of $14.2 million, (c) expenditures of $2.6 million to expand the Spirit Lake, Iowa facility, and (d) investments in engineering and development technologies of $4.0 million during 2003. Polaris anticipates that capital expenditures for 2004, including tooling and research and development equipment, as well as an incremental funding of approximately $22.0 million for a new product development facility in Wyoming, Minnesota, will range from $85.0 million to $95.0 million.

Management believes that existing cash balances, cash flows to be generated from operating activities and available borrowing capacity under the line of credit arrangements will be sufficient to fund operations, regular dividends, share repurchases, and capital expenditure requirements for 2004. At this time, management is not aware of any factors that would have a material adverse impact on cash flow beyond 2004.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Inflation, Foreign Exchange Rates and Interest Rates

Polaris does not believe that inflation has had a material impact on the results of its operations. However, the changing relationships of primarily the U.S. dollar to the Canadian dollar, Euro and Japanese yen have had a material impact from time-to-time.

During 2003, purchases totaling 11 percent of Polaris' cost of sales were from Japanese yen denominated suppliers. The weakening of the U.S. dollar in relation to the Japanese yen has resulted in higher raw material purchase prices during 2003. Polaris' cost of sales in 2003 was negatively impacted by the Japanese yen exchange rate fluctuation when compared to the prior year. In view of the foreign exchange hedging contracts currently in place, Polaris anticipates that the yen-dollar exchange rates will have a negative impact on cost of sales during the hedged periods of 2004 when compared to 2003.

Polaris operates in Canada through a wholly-owned subsidiary. Sales of the Canadian subsidiary comprised 13 percent of total Polaris sales in 2003. From time to time, Polaris utilizes foreign exchange hedging contracts to manage its exposure to the Canadian dollar. The U.S. dollar weakened in relation to the Canadian dollar in 2003 which resulted in a positive financial impact on Polaris gross margins when compared to the same periods in 2002. In view of the foreign exchange hedging contracts currently in place, Polaris anticipates that the Canadian dollar to U.S. dollar exchange rates will have a favorable impact on net income during 2004 compared to 2003 for the hedged periods.

In the past, Polaris has been a party to, and in the future may enter into, foreign exchange hedging contracts for the Japanese yen, Euro, and the Canadian dollar to minimize the impact of exchange rate fluctuations within each year. At December 31, 2003, Polaris had open Japanese yen, Euro and Canadian dollar foreign exchange hedging contracts with notional amounts totaling $20.2 million, $2.8 million and $101.6 million U.S. dollars, respectively, which mature throughout 2004. The average exchange rate in these foreign exchange hedging contracts are 108 Japanese yen per United States dollar, Euro foreign exchange hedges at 1.15 Euro to the dollar and .71 U.S. dollar per Canadian dollar.

The fair values of the Japanese yen and Canadian dollar hedge contracts at December 31, 2003 represent an unrealized gain of $0.1 million and an unrealized loss of $7.2 million, respectively. A ten percent fluctuation in the currency rates as of December 31, 2003 would have resulted in a change in the fair value of the Japanese yen hedge contracts of approximately $5.3 million and a change in the fair value of the Canadian dollar hedge contracts of approximately $1.4 million. However, since these contracts hedge foreign currency denominated transactions, any change in the fair value of the contracts would be offset by changes in the underlying value of the transaction being hedged.

Polaris is a party to two unsecured bank line of credit arrangements under which it may borrow an aggregate of up to $250.0 million until maturity. Interest is charged at variable rates based on LIBOR or "prime". Additionally, Polaris is a party to an interest rate swap agreement that locks in a fixed interest rate on $18.0 million of long-term debt. The Company is exposed to interest rate changes on any borrowings during the year in excess of $18.0 million. Based upon the average outstanding line of credit borrowings of $71.3 million during 2003, a one-percent fluctuation in interest rates would have had approximately a $0.7 million impact on interest expense in 2003.

Polaris has been manufacturing its own engines for selected models of PWC and snowmobiles since 1995, motorcycles since 1998 and ATVs since 2001 at its Osceola, Wisconsin facility. Also, in 1995, Polaris entered into an agreement with Fuji Heavy Industries Ltd. to form Robin Manufacturing U.S.A., Inc. ("Robin"). Under the terms of the agreement, Polaris has a 40 percent ownership interest in Robin, which builds engines in the United States for recreational and industrial products. Potential advantages to Polaris of having these additional sources of engines include reduced foreign exchange risk, lower shipping costs and less dependence in the future on a single supplier for engines.

Forward-Looking Statements

Certain matters discussed in this report are "forward-looking statements" intended to qualify for the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These "forward-looking statements" can generally be identified as such because the context of the statement will include words such as the Company or management "believes," "anticipates," "expects," "estimates" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking. Shareholders, potential investors and others are cautioned that all forward-looking statements involve risks and uncertainty that could cause results in future periods to differ materially from those anticipated by some of the statements made in this report. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: product offerings, promotional activities and pricing strategies by competitors; future litigation exposure; warranty expenses; foreign currency exchange rate fluctuations; environmental and product safety regulatory activity; effects of weather; uninsured product liability claims; and overall economic conditions, including inflation and consumer confidence and spending.

INDEX TO FINANCIAL STATEMENTS

Item 8. Financial Statements and Supplementary Data

Report of Ernst & Young LLP, Independent Auditors

Board of Directors and Shareholders of Polaris Industries Inc.

We have audited the accompanying consolidated balance sheets of Polaris Industries Inc. and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Polaris Industries Inc. and subsidiaries for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose reports dated January 23, 2002 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Polaris Industries Inc. and subsidiaries as of December 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed above, the consolidated financial statements of Polaris Industries Inc. and subsidiaries for the year December 31, 2001, were audited by other auditors who have ceased operations. As described in Note 1, these consolidated financial statements have been revised to include the transitional disclosures required by Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. As further described in Note 1, these financial statements have also been revised to include reclassifications required by Emerging Issues Task Force No. 01-09 and No. 00-25, reclassification of income from financial services from non-operating income to operating income, restatement and reclassifications to give effect to the stock split and other reclassifications to conform to the current year presentation. We have audited the disclosures restatements and reclassifications in Note 1 and, in our opinion, the disclosures restatements and reclassifications for 2001 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such disclosures restatements and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

Ernst + Young LLP

Minneapolis, Minnesota
January 23, 2004

The accompanying financial statements of the Company for the year ended December 31, 2001 were audited by Arthur Andersen LLP ("Andersen"), who were dismissed by the Company as its independent auditors on March 15, 2002. Due to Andersen's well-publicized change in circumstances since it issued the following report, the Company has not been able to obtain either a re-issuance of the report by Andersen or Andersen's consent to the inclusion of the report in this Form 10-K as would normally be required by the rules of the Securities and Exchange Commission ("SEC"). The SEC has provided certain guidance to Andersen's former audit clients, including Rule 2-02 of Regulation S-X, which provides for the inclusion of a copy of the following report in this Form 10-K and Rule 437a under the Securities and Exchange Act of 1934 (the "Exchange Act"), which relieves the Company of its obligation to file Andersen's consent with this Form 10-K. That guidance from the SEC also requires that we inform you that under the circumstances you may not be able to recover against Andersen under Section 11 of the Exchange Act in the event that the Company's financial statements that were audited by Andersen contained material misstatements or omissions.

Certain financial information for the period ended December 31, 2001 was not reviewed by Andersen and includes (1) reclassifications to conform to the Company's fiscal 2003 financial statement presentation, and (2) reclassifications and additional disclosures to conform with new accounting pronouncements and SEC rules and regulations.

Report of Independent Public Accountants

To Polaris Industries Inc.:

We have audited the accompanying consolidated balance sheets of Polaris Industries Inc. (a Minnesota corporation) and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of Polaris' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Polaris Industries Inc. and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Minneapolis, Minnesota
January 23, 2002

POLARIS INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2003	December 31, 2002
ASSETS		
Current Assets		
Cash and cash equivalents	$ 82,761	$ 81,193
Trade receivables, net of allowance for doubtful accounts of $5,638 and $4,435	51,885	51,001
Inventories	182,835	155,858
Prepaid expenses and other	10,718	10,136
Deferred tax assets	59,517	45,471
Total current assets	387,716	343,659
Property and Equipment		
Land, buildings and improvements	67,561	62,089
Equipment and tooling	337,297	325,042
	404,858	387,131
Less accumulated depreciation	(228,437)	(217,535)
Net property and equipment	176,421	169,596
Investments in Finance Affiliate and Retail Credit Deposit	79,578	65,185
Deferred Tax Assets	—	2,427
Goodwill, net	24,295	24,267
Intangibles and Other Assets, net	3,342	3,512
Total Assets	$ 671,352	$ 608,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 65,987	$ 88,462
Accrued expenses:		
Compensation	39,730	35,572
Warranties	30,673	30,936
Sales promotions and incentives	63,481	39,460
Dealer holdback	73,561	73,651
Other	34,506	25,005
Income taxes payable	22,540	20,427
Total current liabilities	330,478	313,513
Deferred income taxes	3,488	—
Borrowings under credit agreement	18,008	18,027
Total Liabilities	351,974	331,540
Shareholders' Equity:		
Preferred stock $0.01 par value, 20,000 shares authorized, no shares issued and outstanding	—	—
Common stock $0.01 par value, 80,000 shares authorized, 43,362 and 44,600 shares issued and outstanding	434	446
Additional paid-in capital	—	—
Deferred compensation	(8,922)	(12,106)
Retained earnings	330,205	289,433
Accumulated other comprehensive (loss)	(2,339)	(667)
Total shareholders' equity	319,378	277,106
Total Liabilities and Shareholders' Equity	$ 671,352	$ 608,646

Note: Shares outstanding and common stock data have been adjusted to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

The accompanying footnotes are an integral part of these consolidated statements.

POLARIS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	For the Years Ended December 31,		
	2003	2002	2001
Sales	$1,605,869	$1,521,282	$1,487,651
Cost of sales	1,245,852	1,189,002	1,180,654
Gross profit	360,017	332,280	306,997
Operating expenses			
Selling and marketing	96,907	86,719	82,528
Research and development	51,760	45,550	35,708
General and administrative	68,216	61,720	58,943
Total operating expenses	216,883	193,989	177,179
Income from financial services	23,587	14,643	14,355
Operating income	166,721	152,934	144,173
Nonoperating expense (income)			
Interest expense	2,465	2,397	7,251
Other (income), net	(83)	(3,634)	(2,641)
Income before income taxes	164,339	154,171	139,563
Provision for income taxes	53,410	50,579	48,149
Net income	$ 110,929	$ 103,592	$ 91,414
Basic net income per share	$ 2.59	$ 2.32	$ 2.00
Diluted net income per share	$ 2.46	$ 2.19	$ 1.94
Weighted average number of common and common equivalent shares outstanding:			
Basic	42,905	44,623	45,728
Diluted	45,056	47,232	47,134

Note: Shares outstanding and earnings per share data have been adjusted to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

The accompanying footnotes are an integral part of these consolidated statements.

POLARIS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except per share data)

	Number of Shares	Common Stock	Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2000	47,084	$471	—	$ (3,300)	$207,377	$ 186	$204,734
Employee stock compensation	744	8	$ 17,035	(1,588)	—	—	15,455
Proceeds from stock issuances under employee plans	192	2	4,609				4,611
Cash dividends declared ($0.50 per share)		—	—	—	(22,846)	—	(22,846)
Repurchase and retirement of common shares	(2,166)	(22)	(21,644)	—	(27,541)		(49,207)
Comprehensive income:							
Net income					91,414		
Foreign currency translation adjustments, net						(160)	
Effect of adoption of SFAS No. 133						(2,544)	
Unrealized loss on derivative instruments, net						(2,674)	
Total comprehensive income							86,036
Balance, December 31, 2001	45,854	459	—	(4,888)	248,404	(5,192)	238,783
Employee stock compensation	628	6	23,424	(7,218)	—	—	16,212
Proceeds from stock issuances under employee plans	498	5	11,003				11,008
Tax effect of exercise of stock options			4,648				4,648
Cash dividends declared ($0.56 per share)		—	—	—	(25,273)	—	(25,273)
Repurchase and retirement of common shares	(2,380)	(24)	(39,075)	—	(37,290)		(76,389)
Comprehensive income:							
Net income					103,592		
Foreign currency translation adjustments, net						145	
Unrealized gain on derivative instruments, net						4,380	
Total comprehensive income							108,117
Balance, December 31, 2002	44,600	446	—	(12,106)	289,433	(667)	277,106
Employee stock compensation	386	4	11,087	3,184			14,275
Proceeds from stock issuances under employee plans	852	9	12,124				12,133
Tax effect of exercise of stock options			6,389				6,389
Cash dividends declared ($0.62 per share)					(26,657)		(26,657)
Repurchase and retirement of common shares	(2,476)	(25)	(29,600)		(43,500)		(73,125)
Comprehensive income:							
Net income					110,929		
Foreign currency translation adjustments, net						3,743	
Unrealized loss on derivative instruments, net						(5,415)	
Total comprehensive income							109,257
Balance, December 31, 2003	43,362	$434	—	$ (8,922)	$330,205	$(2,339)	$319,378

Note: Shares outstanding, common stock and dividends per share data have been adjusted to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

The accompanying footnotes are an integral part of these consolidated statements.

POLARIS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended December 31,		
	2003	2002	2001
Cash Flows From Operating Activities			
Net income	$ 110,929	$ 103,592	$ 91,414
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	54,780	57,527	52,550
Non-cash compensation	14,275	16,212	15,455
Non-cash income from financial services arrangements	(9,300)	(9,196)	(12,463)
Deferred income taxes	(8,131)	7,211	(9,725)
Changes in current operating items —			
Trade receivables	(884)	5,118	11
Inventories	(26,977)	(3,141)	(9,226)
Accounts payable	(22,475)	(13,092)	12,056
Accrued expenses	37,328	13,713	57,922
Income taxes payable	8,502	9,203	(25)
Other, net	(2,282)	5,624	(9,388)
Net cash provided by operating activities	155,765	192,771	188,581
Cash Flows From Investing Activities:			
Purchase of property and equipment	(61,436)	(56,575)	(53,982)
Investments in affiliates and financial services arrangements	(21,647)	(28,301)	(31,479)
Distributions from affiliates and financial services arrangements	16,554	25,275	36,448
Purchase of businesses	—	(726)	(3,753)
Net cash used for investing activities	(66,529)	(60,327)	(52,766)
Cash Flows From Financing Activities:			
Borrowings under credit agreement	453,001	347,000	717,596
Repayments under credit agreement	(453,020)	(347,016)	(746,621)
Repurchase and retirement of common shares	(73,125)	(76,389)	(49,207)
Cash dividends to shareholders	(26,657)	(25,273)	(22,846)
Proceeds from issuance of stock under employee plans	12,133	9,897	3,424
Net cash used by financing activities	(87,668)	(91,781)	(97,654)
Increase in cash and cash equivalents	1,568	40,663	38,161
Cash and Cash Equivalents			
Beginning	81,193	40,530	2,369
Ending	$ 82,761	$ 81,193	$ 40,530
Supplemental Cash Flow Information			
Interest paid on debt borrowings	$ 2,492	$ 2,419	$ 7,715
Income taxes paid	$ 51,048	$ 37,859	$ 55,548

The accompanying footnotes are an integral part of these consolidated statements.

Note 1: Organization and Significant Accounting Policies

Polaris Industries Inc. ("Polaris" or the "Company") a Minnesota corporation, and its subsidiaries, are engaged in a single industry segment consisting of the design, engineering, manufacturing and marketing of innovative, high-quality, high-performance motorized products for recreation and utility use, including all-terrain vehicles ("ATVs"), snowmobiles, motorcycles and personal watercraft ("PWC"). Polaris products, together with related replacement parts, garments and accessories ("PG&A") are sold worldwide through a network of dealers, distributors and its subsidiaries located in the United States, Canada, France, Great Britain, Australia, Norway and Sweden.

Basis of presentation: The accompanying consolidated financial statements include the accounts of Polaris and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation. Income from financial services is reported as a component of operating income to better reflect income from ongoing operations of which financial services has a significant impact. Shares and per share information have been adjusted to give effect to the two-for-one stock split declared on January 22, 2004 and payable on March 8, 2004 to shareholders of record on March 1, 2004.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

Cash equivalents: Polaris considers all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents and are stated at cost, which approximates fair value. Such investments consist principally of commercial paper and money market mutual funds.

Fair value of financial instruments: Except as noted, the carrying value of all financial instruments approximates their fair value.

Allowance for doubtful accounts: Polaris' financial exposure to collection of accounts receivable is limited due to its agreements with certain finance companies. For receivables not serviced through these finance companies, the Company provides a reserve for doubtful accounts based on historical rates and trends. This reserve is adjusted periodically as information about specific accounts becomes available.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. The major components of inventories are as follows (in thousands):

	December 31,	
	2003	**2002**
Raw materials and purchased components	**$ 14,498**	$ 24,499
Service parts, garments and accessories	**63,516**	55,157
Finished goods	**104,821**	76,202
Inventories	**$182,835**	$155,858

Property and equipment: Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the respective assets, ranging from 10-40 years for buildings and improvements and from 1-7 years for equipment and tooling. Fully depreciated tooling is eliminated from the accounting records annually.

Goodwill and other assets: Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") 142 "Goodwill and Other Intangible Assets." SFAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS 142 requires that these assets be reviewed for impairment at least annually. An impairment charge is recognized only when the calculated fair value of a reporting unit, including goodwill, is less than its carrying amount. The Company performed analyses as of December 31, 2003 and December 31, 2002. The results of the analyses indicated that no goodwill impairment existed. In accordance with SFAS 142 the Company will complete an impairment analysis on an annual basis.

The changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2002 are as follows (in thousands):

	2003	**2002**
Balance as of beginning of year	**$24,267**	$23,541
Goodwill acquired during the year	**—**	726
Currency translation effect on foreign goodwill balances	**28**	—
Balance as of end of year	**$24,295**	$24,267

The goodwill balance is net of accumulated amortization of $11,134,000 and $11,119,000 at December 31, 2003 and 2002, respectively.

As required by SFAS 142, intangibles with finite lives continue to be amortized. Included in intangible assets are patents and customer lists. Intangible assets before accumulated amortization were $4,095,000 at both December 31, 2003 and 2002. Accumulated amortization was $3,624,000 at December 31, 2003 and $3,427,000 at December 31, 2002. The net value of intangible assets is included as a component of intangible and other assets in the accompanying consolidated balance sheets.

A reconciliation of reported net income adjusted to reflect the adoption of SFAS 142 if effective in 2001 is provided below (in thousands except for per share data):

	For Year Ended December 31,		
	2003	**2002**	**2001**
Reported net income	**$110,929**	$103,592	$91,414
Add-back goodwill amortization, net of tax	**—**	—	572
Adjusted net income	**$110,929**	$103,592	$91,986
Reported basic net income per share	**$ 2.59**	$ 2.32	$ 2.00
Add-back goodwill amortization	**—**	—	.01
Adjusted basic net income per share	**$ 2.59**	$ 2.32	$ 2.01
Reported diluted net income per share	**$ 2.46**	$ 2.19	$ 1.94
Add-back goodwill amortization	**—**	—	.01
Adjusted diluted net income per share	**$ 2.46**	$ 2.19	$ 1.95

Research and Development Expenses: Polaris records research and development expenses in the year in which they are incurred as a component of operating expenses. In the years ended December 31, 2003, 2002 and 2001 Polaris incurred $51,760,000, $45,550,000, and $35,708,000 respectively.

Shipping and Handling Costs: Polaris records shipping and handling costs as a component of cost of sales at the time the product is shipped.

Product warranties: Polaris provides a limited warranty for ATVs for a period of six months and for a period of one year for its snowmobiles, motorcycles and PWC products. Polaris may provide longer warranties related to certain promotional programs, as well as longer warranties in certain geographical markets as determined by local regulations and market conditions. Polaris' standard warranties require the Company or its dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The warranty reserve is established at the time of sale to the dealer or distributor based on management's best estimate using historical rates and trends. Adjustments to the warranty reserve are made from time to time as actual claims become known in order to properly estimate the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors that could have an impact on the warranty accrual in any given year include the following: improved manufacturing quality, shifts in product mix, changes in warranty coverage periods, snowfall and its impact on snowmobile usage, product recalls and any significant changes in sales volume.

The activity in the warranty reserve during the years presented is as follows (in thousands):

	For the Year Ended December 31,		
	2003	2002	2001 (unaudited)
Balance at beginning of year	**$ 30,936**	$ 33,301	$ 34,216
Additions charged to expense	**27,845**	23,246	33,357
Warranty claims paid	**(28,108)**	(25,611)	(34,272)
Balance at end of year	**$ 30,673**	$ 30,936	$ 33,301

Sales promotions and incentives: Polaris provides for estimated sales promotion and incentive expenses, which are recognized as a reduction to sales, at the time of sale to the dealer or distributor. Examples of sales promotion and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and sales associate incentives. Sales promotion and incentive expenses are estimated based on current programs and historical rates for each product line. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if the customer usage rate varies from historical trends. Historically, sales promotion and incentive expenses have been within the Company's expectations and differences have not been material.

Dealer holdback programs: Polaris provides dealer incentive programs whereby at the time of shipment Polaris withholds an amount from the dealer until ultimate retail sale of the product. Polaris records these amounts as a liability on the consolidated balance sheet until they are ultimately paid. Payments are generally made to dealers twice each year, in the first quarter and the third quarter, subject to previously established criteria. Polaris has recorded accrued liabilities of $73,561,000 and $73,651,000 for dealer holdback programs in the consolidated balance sheet as of December 31, 2003 and 2002, respectively.

Foreign currency translation: During the first quarter ended March 31, 2003, the Company completed a review of the functional currency for each of its foreign entities. It was determined the economic facts and circumstances had changed such that the functional currencies in the Canadian and Australian subsidiaries and the New Zealand branch should become their local currencies. Previously the U.S. dollar had been their functional currency. Effective January 1, 2003 the functional currency in the Canadian and Australian subsidiaries and the New Zealand branch were changed to the Canadian dollar, Australian dollar, and the New Zealand dollar, respectively. The initial implementation of this change in functional currency had the effect of reducing the U.S. dollar value of the combined net assets of Canada, Australia and New Zealand by $869,000 and increasing the accumulated other comprehensive loss by $869,000 during the first quarter of 2003. The impact of the change in functional currencies was to record $2,459,000 of income for the year ended December 31, 2003 as a component of accumulated net other comprehensive loss in the shareholders' equity section of the consolidated balance sheet that would have previously been recorded in the statement of income. Polaris entities in France, Great Britain, Sweden and Norway had been using their local currency as their functional currency and will continue to do so.

The assets and liabilities in all Polaris foreign entities are translated at the foreign exchange rate in effect at the balance sheet date. Translation gains and losses are reflected as a component of other comprehensive income (loss) in the equity section of the accompanying consolidated balance sheets. Revenues and expenses in all of Polaris' foreign entities are translated at the average foreign exchange rate in effect for each month of the quarter.

Revenue recognition: Revenues are recognized at the time of shipment to the dealer or distributor. Product returns, whether in the normal course of business or resulting from repossession under its customer financing program (see Note 2), have not been material. Polaris provides for estimated sales promotion expenses which are recognized as a reduction of sales when products are sold to the dealer or distributor customer.

Major supplier: During 2003, 2002 and 2001, purchases of engines and related components totaling 11, 10 and 12 percent, respectively of Polaris' cost of sales were from a single Japanese supplier. Polaris has agreed with the supplier to share the impact of fluctuations in the exchange rate between the U.S. dollar and the Japanese yen.

Stock-based employee compensation: Polaris accounts for all stock based compensation plans in accordance with the provision of APB Opinion No. 25, under which compensation costs of $14,275,000, $16,212,000 and $15,455,000 were recorded in 2003, 2002, and 2001, respectively. Had compensation costs for these plans been recorded at fair value consistent with the methodology prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation," Polaris' net income and net income per share would have been reduced to the following pro forma amounts:

	2003	**2002**	**2001**
Net income (in thousands):			
As reported	**$110,929**	$103,592	$91,414
Additional compensation expense, net of tax	**4,645**	4,187	3,943
Pro forma	**$106,284**	$ 99,405	$87,471
Net income per share (diluted):			
As reported	**$ 2.46**	$ 2.19	$ 1.94
Pro forma	**2.36**	2.10	1.86

The fair value of each award under the Option Plan is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used to estimate the fair value of options:

	2003	**2002**	**2001**
Risk free interest rate	**4.2%**	3.6%	5.2%
Expected life	**7 years**	7 years	7 years
Expected volatility	**38%**	35%	34%
Expected dividend yield	**1.7%**	2.0%	2.3%

The weighted average fair values at the grant dates of grants awarded under certain plans were as follows:

	2003	**2002**	**2001**
Option Plan	**$15.18**	$ 9.71	$ 7.22
Restricted Plan	**$36.83**	$28.50	$24.28
ESOP	**$31.82**	$32.71	$23.29

See Note 4 for additional disclosures regarding stock-based compensation.

Accounting for derivative instruments and hedging activities SFAS No. 133: Polaris adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," on January 1, 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The effect of adopting SFAS 133 was to establish the fair market value of certain interest rate swap agreements and foreign exchange contracts. The cumulative effect of adoption was an unrealized loss of $2,544,000, net of tax, and is reflected in accumulated other comprehensive income (loss) in the accompanying consolidated statements of shareholders' equity and comprehensive income. As of December 31, 2003 and 2002, the after tax net unrealized loss of the derivative instruments were $6,253,000 and $838,000 respectively.

Interest rate swap agreement: Polaris has one interest rate swap agreement on $18,000,000 of long term debt. The swap agreement, expiring in 2007, has been designated as and meets the criteria as a cash flow hedge. Initial adoption of SFAS 133 resulted in the recording of a liability for the fair value of this swap agreement of $1,283,000 during 2001. The fair value of this swap agreement on December 31, 2003 and 2002 was an unrealized loss of $2,661,000 and $3,366,000 respectively, which was recorded as a liability in the accompanying consolidated balance sheets.

Foreign exchange contracts: Polaris enters into foreign exchange contracts to manage currency exposures of certain of its purchase commitments denominated in foreign currencies and transfers of funds from its Canadian and European subsidiaries. Polaris does not use any financial contracts for trading purposes. The contracts have been designated as and meet the criteria for cash flow hedges. At January 1, 2001, Polaris had open Japanese yen foreign exchange contracts with notional amounts totaling $64,997,000 U.S. dollars. Initial adoption of SFAS 133 resulted in the recording of a liability of $2,601,000 for the fair value of the foreign exchange contracts. At December 31, 2003, Polaris had open Japanese yen foreign exchange contracts with notional amounts totaling U.S. $20,176,000 and an unrealized gain of $141,000, and open Canadian dollar contracts with notional amounts totaling U.S. $101,604,000 and an unrealized loss of $7,249,000. These contracts met the criteria for cash flow hedges and the net unrealized loss, after tax, is recorded as a component of other comprehensive loss in shareholders' equity. In addition, Polaris had open Euro foreign exchange contracts with the notional amounts totaling $2,802,000. The Euro contracts met the criteria for fair value hedges and are marked to market with the resulting unrealized loss included as a component of other expense in the statement of income.

Comprehensive income: Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the Company, comprehensive income represents net income adjusted for foreign currency translation adjustments and the gain or loss on derivative instruments. The Company has chosen to disclose comprehensive income in the accompanying consolidated statements of shareholders equity and comprehensive income.

New accounting pronouncements: Polaris implemented FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" during the third quarter 2003. This was an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" and addresses the consolidation of variable interest entities by businesses. Polaris used the guidelines in FIN 46 to analyze the Company's relationship with Polaris Acceptance and concluded that Polaris Acceptance is not a variable interest entity to Polaris and therefore the current method of consolidation remains appropriate.

Polaris implemented two new accounting pronouncements during the first quarter 2002. Floor plan financing expenses that previously were included in selling and marketing expenses are now recorded as an offset to sales to comply with the requirements of Emerging Issues Task Force Issue (EITF) 01-09. Cooperative advertising expenses that previously were included in selling and marketing expenses are now recorded in cost of sales to comply with the requirements of EITF 00-25. Certain amounts in the 2001 period presented have been reclassified to conform to the new requirements. These changes had no impact on previously reported net income or shareholders' equity.

Reclassifications: Certain reclassifications of previously reported amounts have been made to conform to the current year presentation. The reclassifications had no impact on operations as previously reported.

Note 2: Financing

Bank financing: Polaris is a party to two unsecured bank lines of credit arrangements under which it may borrow up to $250,000,000 until maturity. Interest is charged at rates based on LIBOR or "prime." A $150,000,000 line of credit expires on June 27, 2006, and a $100,000,000 364-day line of credit expires on June 25, 2004 at which time the outstanding balances are due. The arrangements contain various restrictive covenants which limit investments, acquisitions and indebtedness. The arrangements also require Polaris to maintain certain financial ratios including a minimum tangible net worth, minimum interest coverage and a maximum leverage ratio. Polaris was in compliance with each of the covenants as of December 31, 2003.

The following summarizes activity under Polaris' credit arrangements (dollars in thousands):

	2003	2002	2001
Total borrowings at December 31,	**$ 18,008**	$ 18,027	$ 18,043
Average outstanding borrowings during year	**$ 71,340**	$ 55,385	$127,481
Maximum outstanding borrowings during year	**$135,000**	$116,000	$199,500
Interest rate at December 31.	**1.70%**	1.87%	2.50%

Polaris has entered into an interest rate swap agreement to manage exposures to fluctuations in interest rates. The effect of this agreement is to fix the interest rate at 7.21 percent for $18,000,000 of any borrowing until June 2007. The fair value of the interest rate swap was a liability of $2,661,000 as of December 31, 2003.

Letters of credit: At December 31, 2003, Polaris had open letters of credit totaling approximately $3,692,000. The amounts outstanding are reduced as inventory purchases pertaining to the contracts are received.

Dealer financing programs: Certain finance companies, including Polaris Acceptance, an affiliate (see Note 6), provide floor plan financing to dealers on the purchase of Polaris products. The amount financed by worldwide dealers under these arrangements at December 31, 2003, was approximately $694,000,000. Polaris has agreed to repurchase products repossessed by the finance companies up to an annual maximum of no more than 15 percent of the average amount outstanding. Polaris' financial exposure under these arrangements is limited to the difference between the amount paid to the finance companies for repurchases and the amount received on the resale of the repossessed product. No material losses have been incurred under these agreements during the periods presented. As a part of its marketing program, Polaris contributes to the cost of dealer financing up to certain limits and subject to certain conditions. Such expenditures are included as an offset to sales in the accompanying statements of income.

Note 3: Income Taxes

Components of Polaris' provision for income taxes are as follows (in thousands):

	For the Years Ended December 31,		
	2003	**2002**	**2001**
Current:			
Federal	**$53,404**	$37,449	$51,766
State	**5,068**	4,700	3,701
Foreign	**3,069**	1,219	2,407
Deferred	**(8,131)**	7,211	(9,725)
Total	**$53,410**	$50,579	$48,149

Reconciliation of the Federal statutory income tax rate to the effective tax rate is as follows:

	For the Years Ended December 31,		
	2003	**2002**	**2001**
Federal statutory rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal benefit	**2.0**	2.5	1.6
Extraterritorial income exclusion/Foreign sales corporation	**(2.0)**	(3.0)	(1.2)
Other permanent differences	**(2.5)**	(1.7)	(0.9)
Effective income tax rate	**32.5%**	32.8%	34.5%

Polaris utilizes the liability method of accounting for income taxes whereby deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. The net deferred tax assets consist of the following (in thousands):

	December 31,		
	2003	**2002**	**2001**
Current deferred tax assets:			
Inventories	**$ 5,431**	$ 5,280	$ 4,948
Accrued expenses	**50,569**	39,720	38,052
Derivative instruments	**3,517**	471	2,748
Total current	**59,517**	45,471	45,748
Noncurrent net deferred tax assets (liabilities):			
Cost in excess of net assets of business acquired	**14,773**	16,083	19,410
Property and equipment	**(22,995)**	(17,544)	(14,654)
Compensation payable in common stock	**4,734**	3,888	4,605
Total noncurrent	**(3,488)**	2,427	9,361
Total	**$ 56,029**	$ 47,898	$ 55,109

Note 4: Stock-Based Compensation and Savings Plan

Polaris maintains a stock option plan ("Option Plan") under which incentive and nonqualified stock options for a maximum of 6,200,000 shares of common stock may be issued to certain employees. Options granted to date generally vest three years from the award date and expire after ten years.

Polaris maintains a broad based stock option plan ("Broad Based Plan") under which incentive stock options for a maximum of 700,000 shares of common stock could be issued to substantially all Polaris employees. These options expire in 2009. Options with respect to 675,400 shares of common stock were granted under this plan during 1999 at an exercise price of $15.78 and of the options initially granted under the plan, an aggregate of 518,400 vested in March 2002.

The following summarizes share activity in the Option and Broad Based Plans, and the weighted average exercise price for the Option Plan:

	Option Plan			Broad Based Plan	
	Shares Available for Future Issuance	Outstanding Shares	Weighted Average Exercise Price	Shares Available for Future Issuance	Outstanding Shares
Balance as of December 31, 2000	1,176,824	3,331,428	17.21	121,400	578,600
Reserved	1,500,000	—		—	—
Granted	(1,671,868)	1,671,868	24.28	—	—
Exercised	—	(226,160)	15.42	—	—
Forfeited	79,608	(79,608)	15.86	54,500	(54,500)
Balance as of December 31, 2001	1,084,564	4,697,528	18.27	175,900	524,100
Cancelled	—	—		(181,600)	—
Granted	(704,700)	704,700	28.50	—	—
Exercised	—	(283,392)	15.91	—	(362,600)
Forfeited	58,000	(58,000)	19.09	5,700	(5,700)
Balance as of December 31, 2002	437,864	5,060,836	21.30	—	155,800
Granted	(275,700)	275,700	40.03	—	—
Exercised	—	(642,440)	15.32	—	(56,900)
Forfeited	80,700	(80,700)	21.71	—	—
Balance as of December 31, 2003	242,864	4,613,396	23.19	—	98,900

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercisable Options	Number Outstanding at 12/31/03	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/03	Weighted Average Exercise Price
$12.88 to $18.31	1,656,996	5.0	$16.08	1,656,996	$16.08
$18.32 to $24.72	1,092,300	7.5	$22.13	—	—
$24.73 to $29.33	1,690,400	7.1	$27.63	1,000,000	$27.03
$29.34 to $43.02	272,600	9.7	$42.32	—	—

The weighted average exercise prices of options exercisable as of December 31, 2003, 2002 and 2001 were $20.20, $20.31, and $16.62 respectively. The weighted average remaining contractual life of outstanding options was 6.7 years as of December 31, 2003.

Polaris maintains a restricted stock plan ("Restricted Plan") under which a maximum of 2,100,000 shares of common stock may be awarded as an incentive to certain employees with no cash payments required from the recipient. The restrictions lapse after a three to four year period for awards issued prior to 2000 if Polaris achieves certain performance measures. Awards issued since 2000 have not contained performance measures with the exception of grants issued to the Company's president and chief executive officer in 2003 and 2002. Shares of restricted stock granted, net of converted, lapsed and forfeited shares totaled a negative 284,946 and 21,220 in 2003 and 2002 respectively and a positive 41,296 in 2001.

Polaris sponsors a qualified non-leveraged Employee Stock Ownership Plan ("ESOP") under which a maximum of 2,500,000 shares of common stock can be awarded. The shares are allocated to eligible participants accounts based on total cash compensation earned during the calendar year. Shares vest immediately and require no cash payments from the recipient. Substantially all employees are eligible to participate in the ESOP. Total expense related to the ESOP was $9,014,000, $11,120,000, and $8,043,000 in 2003, 2002 and 2001, respectively. As of December 31, 2003 there were 2,223,176 shares vested in the plan.

Polaris maintains a nonqualified deferred compensation plan ("Director Plan") under which members of the Board of Directors who are not Polaris officers or employees can elect to receive common stock equivalents in lieu of director's fees, which will be converted into common stock when board service ends. A maximum of 150,000 shares of common stock has been authorized under this plan of which 57,216 equivalents have been earned and 50,212 shares have been issued to retired directors as of December 31, 2003.

Polaris maintains a Non-Employee Director Stock Option Plan (the "Directors Stock Option Plan"), under which nonqualified stock options for a maximum of 200,000 shares of common stock may be issued to non-employee directors. Each non-employee Director as of the date of the 2003 Annual Meeting (April 24, 2003) was granted an option to purchase 4,000 shares of common stock at a price per share of common stock equal to the fair market value of the common stock as of the date of grant. Options become exercisable at any time commencing one year after the grant and must be exercised no later than 10 years from the date of grant. Directors Stock Options granted and outstanding totaled 32,000 at December 31, 2003 at a weighted average exercise price of $26.68.

Polaris sponsors a 401(k) retirement savings plan under which eligible U.S. employees may choose to contribute up to 50 percent of eligible compensation on a pre-tax basis, subject to certain IRS limitations. The Company matches 100 percent of employee contributions up to a maximum of five percent of eligible compensation. Matching contributions were $6,214,000, $5,836,000 and $5,406,000 in 2003, 2002 and 2001, respectively.

Note 5: Shareholders' Equity

Stock repurchase program: The Polaris Board of Directors has authorized the cumulative repurchase of up to 23,000,000 shares of the Company's common stock. During 2003, Polaris paid $73,125,000 to repurchase and retire approximately 2,476,000 shares. Cumulative repurchases through December 31, 2003 were approximately 18,584,000 shares at a cost of $381,941,000.

Shareholder rights plan: During 2000, the Polaris Board of Directors adopted a shareholder rights plan. Under the plan, a dividend of preferred stock purchase rights will become exercisable if a person or group should acquire 15 percent or more of the Company's stock. The dividend will consist of one purchase right for each outstanding share of the Company's common stock held by shareholders of record on June 1, 2000. Each right will entitle its holder to purchase one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $150, subject to adjustment. The rights expire in 2010 and may be redeemed earlier by the Board of Directors for $0.01 per right.

Net income per share: Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each year, including shares earned under the Director Plan and the ESOP. Diluted earnings per share is computed under the treasury stock method and is calculated to compute the dilutive effect of outstanding stock options and certain shares issued under the Restricted Plan. A reconciliation of these amounts is as follows (in thousands):

	2003	2002	2001
Weighted average number of common shares outstanding	**45,522**	44,239	45,338
Director Plan	**52**	44	50
ESOP	**331**	340	340
Common shares outstanding — basic	**42,905**	44,623	45,728
Dilutive effect of Restricted Plan	**515**	732	532
Dilutive effect of Option Plan	**1,636**	1,877	874
Common and potential common shares outstanding — diluted	**45,056**	47,232	47,134

During 2003, 2002, and 2001, the number of options that could potentially dilute earnings per share on a fully diluted basis that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was no shares, 522,600 shares and 500,000 shares, respectively.

Stock Purchase Plan: Polaris maintains an Employee Stock Purchase Plan (Purchase Plan). A total of 1,500,000 shares of common stock are reserved for this plan. The Purchase Plan permits eligible employees to purchase common stock at 85 percent of the average market price each month. As of December 31, 2003, approximately 356,000 shares had been purchased under the Purchase Plan.

Note 6: Financial Services Arrangements

In 1996, a wholly owned subsidiary of Polaris entered into a partnership agreement with a subsidiary of Transamerica Distribution Finance (TDF) to form Polaris Acceptance. In January 2004, TDF was purchased by GE Commercial Finance, a subsidiary of General Electric Company. Polaris Acceptance provides floor plan financing to Polaris' dealers in the United States. Polaris' subsidiary has a 50 percent equity interest in Polaris Acceptance. The receivable portfolio is recorded on Polaris Acceptance's books, which is consolidated onto TDF's books and is funded 85 percent with a loan from an affiliate of TDF and 15 percent by a cash investment shared equally between the two partners. Polaris has not guaranteed the outstanding indebtedness of Polaris Acceptance. Substantially all of Polaris' U.S. sales are financed through Polaris Acceptance whereby Polaris receives payment within a few days of shipment of the product. The net amount financed for dealers under this arrangement at December 31, 2003 was $580,894,000. Polaris has agreed to repurchase products repossessed by Polaris Acceptance up to an annual maximum of 15 percent of the average month-end balances outstanding during the prior calendar year. For calendar year 2004, the potential 15 percent aggregate repurchase obligation is approximately $79.1 million. Polaris' financial exposure under this arrangement is limited to the difference between the amount paid to the finance company for repurchases and the amount received on the resale of the repossessed product. No material losses have been incurred under this agreement during the periods presented. Polaris' trade receivables from Polaris Acceptance were $1,853,000 and $8,504,000 at December 31, 2003 and 2002, respectively.

Beginning in 1999, Polaris Acceptance entered into an income sharing agreement with Transamerica Retail Financial Services (TRFS), a subsidiary of TDF. TRFS provided private label retail credit financing to

Polaris consumers through Polaris dealers in the United States. In October 2001, TRFS sold a significant portion of the retail portfolio to Household Bank (SB), N.A. (Household).

Polaris' investment in Polaris Acceptance at December 31, 2003 of $43,484,000 is accounted for under the equity method, and is recorded as a component of Investments in Finance Affiliate and Retail Credit Deposit in the accompanying consolidated balance sheets. The partnership agreement provides that all income and losses of the floor plan and retail credit portfolio are shared 50 percent to Polaris' wholly owned subsidiary and 50 percent to TDF's subsidiary. Polaris' allocable share of the income of Polaris Acceptance has been included as a component of income from financial services in the accompanying statements of income.

Summarized financial information for Polaris Acceptance is presented as follows (in thousands):

	For the Year December 31,		
	2003	**2002**	**2001**
Revenues	**$ 34,262**	$ 37,006	$46,233
Interest and operating expenses	**15,662**	18,616	21,307
Net income before income taxes	**$ 18,600**	$ 18,390	$24,926

	As of December 31,	
	2003	**2002**
Finance receivables, net	**$580,894**	$585,245
Other assets	**815**	1,701
Total Assets	**$581,709**	$586,946
Notes payable	**$496,117**	$495,562
Other liabilities	**2,215**	9,370
Partners' capital	**83,377**	82,014
Total Liabilities and Partners' Capital	**$581,709**	$586,946

In October 2001, a wholly owned subsidiary of Polaris entered into a Revolving Credit Agreement with Household to provide private label retail credit financing to Polaris consumers through Polaris dealers in the United States. The receivable portfolio is owned and managed by Household and is funded 85 percent by Household and its affiliate and 15 percent by a cash deposit shared equally between the two parties. The amount financed by consumers under this arrangement net of loss reserves at December 31, 2003 was $517,410,000. Polaris' deposit in the retail credit portfolio of $36,094,000 at December 31, 2003 is reflected as a component of Investments in Finance Affiliate and Retail Credit Deposit in the accompanying consolidated balance sheet. The agreement with Household provides that all income and losses of the retail credit portfolio are shared 50 percent by Polaris and 50 percent by Household. Polaris' allocable share of the income from the retail credit portfolio has been included as a component of income from financial services in the accompanying consolidated statements of income. Under the terms of the agreement, either party has the right to terminate the agreement if profitability of the portfolio falls below certain minimum levels. Polaris' financial exposure under this agreement is limited to its deposit plus an aggregate amount of not more than $15,000,000.

Polaris also provides extended service contracts to consumers and certain insurance contracts to dealers and consumers through various third-party suppliers. Polaris does not retain any warranty, insurance or financial risk in any of these arrangements. Polaris' service fee income generated from these arrangements has been included as a component of income from financial services in the accompanying consolidated statements of income.

Income from financial services as included in the consolidated statements of income is comprised of the following (in thousands):

	For the Year Ended December 31,		
	2003	2002	2001
			(unaudited)
Equity in earnings of Polaris Acceptance	$ 9,300	$ 9,195	$12,463
Income from Household agreement	13,176	4,440	949
Income from other financial services activities	1,111	1,008	943
Total income from financial services	$23,587	$14,643	$14,355

Note 7: Investment in Manufacturing Affiliate

Polaris is a partner with Fuji Heavy Industries Ltd. in Robin Manufacturing, U.S.A. (Robin). Polaris has a 40 percent ownership interest in Robin, which builds engines in the United States for recreational and industrial products. Polaris' investment of $2,871,000 at December 31, 2003 and $2,844,000 at December 31, 2002 is accounted for under the equity method, and is recorded as a component of intangible and other assets in the accompanying consolidated balance sheets. Polaris' allocable share of the income of Robin has been included as a component of non-operating other expense (income) in the accompanying consolidated statements of income.

Note 8: Commitments and Contingencies

Product liability: Polaris is subject to product liability claims in the normal course of business. Polaris is currently self insured for all product liability claims. The estimated costs resulting from any losses are charged to operating expenses when it is probable a loss has been incurred and the amount of the loss is reasonably determinable. The Company utilizes historical trends and actuarial analysis tools to assist in determining the appropriate loss reserve levels. At December 31, 2003 the Company had an accrual of $5,669,000 for the possible payment of pending claims. This accrual is included as a component of other accrued expenses in the accompanying consolidated balance sheets.

Litigation: Polaris is a defendant in lawsuits and subject to claims arising in the normal course of business. In the opinion of management, it is unlikely that any legal proceedings pending against or involving Polaris will have a material adverse effect on Polaris' financial position or results of operations.

Leases: Polaris leases buildings and equipment under non-cancelable operating leases. Total rent expense under all lease agreements was $3,529,000, $3,118,000 and $2,834,000 for 2003, 2002 and 2001, respectively. Future minimum payments, exclusive of other costs required under non-cancelable operating leases at December 31, 2003 total $5,555,000 cumulatively through 2008.

Note 9: Segment Reporting

Polaris has reviewed SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and determined that the Company meets the aggregation criteria outlined since the Company's segments have similar (1) economic characteristics, (2) product and services, (3) production processes, (4) customers, (5) distribution channels, and (6) regulatory environments. Therefore, the Company reports as a single business segment.

The following data relates to Polaris' foreign operations (in thousands of U.S. dollars):

	For the Years Ended December 31, 2003	2002	2001
Canadian subsidiary:			
Sales	**$206,808**	$190,405	$180,837
Identifiable assets	**27,083**	24,153	23,906
Other foreign countries:			
Sales	**153,879**	98,154	89,046
Identifiable assets	**64,665**	48,131	17,040

Note 10: Quarterly Financial Data

	Sales	Gross Profit	Net Income	Diluted Net Income per Share
	(unaudited) (in thousands, except per share data)			
2003				
First Quarter	$ 313,925	$ 64,607	$ 12,429	$0.28
Second Quarter	377,135	77,773	20,992	0.47
Third Quarter	447,696	109,094	39,477	0.87
Fourth Quarter	467,113	108,543	38,031	0.84
Totals	$1,605,869	$360,017	$110,929	$2.46
2002				
First Quarter	$ 299,169	$ 57,760	$ 11,633	$0.24
Second Quarter	362,589	74,429	19,858	0.42
Third Quarter	428,005	102,430	37,056	0.79
Fourth Quarter	431,519	97,661	35,045	0.75
Totals	$1,521,282	$332,280	$103,592	$2.19

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On March 15, 2002, the Board of Directors of the Company and its Audit Committee dismissed Arthur Andersen LLP ("Andersen") as the Company's independent auditors and engaged Ernst & Young LLP ("E&Y") to serve as the Company's independent auditors for the fiscal year ended December 31, 2002.

Andersen's report on the Company's consolidated financial statements for the year ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

During the year ended December 31, 2001 and through March 15, 2002, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused them to make reference to the subject matter of the disagreements in connection with their report on the Company's financial statements for such year; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K of the SEC.

During the year ended December 31, 2001 and through March 15, 2002, the Company did not consult E&Y with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K of the SEC.

The Company provided Andersen with a copy of the above disclosures and requested that it furnish us with a letter addressed to the SEC stating whether or not it agrees with the above statements. That letter was attached to a Form 8-K/A the Company filed on March 27, 2002 to disclose the Company's change in auditors.

The Company has been unable to obtain the consent of Andersen to the incorporation by reference of their report for the Company's fiscal year ended December 31, 2001 included in this Annual Report on Form 10-K into our previously filed registration statements under the Securities Act of 1933, and the Company has not filed that consent with this Annual Report on Form 10-K in reliance upon Rule 437a under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Because we have not been able to obtain Andersen's consent, you may not be able to recover against Andersen under Section 11 of the Exchange Act for any untrue statements of a material fact contained in the Company's financial statements audited by Andersen or any omission to state a material fact required to be stated therein.

Item 9A. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer and its Vice President-Finance and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Company's President and Chief Executive Officer along with the Company's Vice President-Finance and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. No changes have occurred during the period covered by this report or since the evaluation date that would have a material effect on the disclosure controls and procedures.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Directors of the Registrant

The information under the caption "Election of Directors — Information Concerning Nominees and Directors" in the Company's 2004 Proxy Statement is incorporated herein by reference.

(b) Executive Officers of the Registrant

Information concerning Executive Officers of the Company is included in this Report after Item 4, under "Executive Officers of the Registrant."

(c) Identification of the Audit Committee; Audit Committee Financial Expert.

The information under the caption "Corporate Governance — Committees of the Board and Meetings — Audit Committee" in the Company's 2004 Proxy Statement is incorporated herein by reference.

(d) Compliance with Section 16(a) of the Exchange Act

The information under the caption "Corporate Governance — Section 16 Beneficial Ownership Reporting Compliance" in the Company's 2004 Proxy Statement is incorporated herein by reference.

(e) Code of Ethics.

We have adopted a Code of Business Conduct and Ethics that applies to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and all other Polaris employees. This Code of Business Conduct and Ethics is posted on our website at www.polarisindustries.com and may be found as follows:

- From our main web page, first click on "Investor Relations."
- Next, click on "Management."
- Finally, click on "Code of Business Conduct and Ethics."

A copy of our Code of Business Conduct and Ethics will be furnished to any shareholder who submits a written request for it. Such request should be sent to Polaris Industries Inc., 2100 Highway 55, Medina, Minnesota 55340, Attention: Investor Relations.

We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from a provision of this Code of Business Conduct and Ethics by posting such information on our website, at the address and location specified above.

Item 11. Executive Compensation

The information under the captions "Executive Compensation and Stock Option Information" and "Corporate Governance — Director Compensation" in the Company's 2004 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plans" in the Company's 2004 Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information under the caption "Corporate Governance — Certain Relationships and Related Transactions" in the Company's 2004 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information under the caption "Independent Auditors" in the Company's 2004 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

The financial statements listed in the Index to Financial Statements on page 21 are included in Part II of this Form 10-K.

(2) Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts is included on page 47 of this report.

All other supplemental financial statement schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

(3) Exhibits

The Exhibits to this report are listed in the Exhibit Index on pages 48 to 49.

A copy of any of these Exhibits will be furnished at a reasonable cost to any person who was a shareholder of the Company as of March 1, 2004, upon receipt from any such person of a written request for any such exhibit. Such request should be sent to Polaris Industries Inc., 2100 Highway 55, Medina, Minnesota 55340, Attention: Investor Relations.

(b) Reports on Form 8-K

During the quarter ended December 31, 2003, the Company:

1. On October 1, 2003, furnished to the Securities and Exchange Commission its Current Report on Form 8-K regarding materials to be used by executive officers of the Company in presentations to investors and others.

2. On October 14, 2003, furnished to the Securities and Exchange Commission its Current Report on Form 8-K including its news release to report its third quarter financial results for the reporting period ended September 30, 2003.

Also, on January 23, 2004, the Company filed a current report on Form 8-K to furnish a copy of the Company's press release announcing that its Board of Directors approved a 48% increase in the regular quarterly cash dividend and declared a two-for-one split of the Company's outstanding shares of common stock to be effected in the form of a 100 percent stock dividend. On January 29, 2004, the Company filed a current report on Form 8-K to furnish a copy of the Company's fourth quarter and year-end financial results and copies of the Company's unaudited consolidated balance sheets and unaudited consolidated statements of cash flows which were discussed by management during the earnings conference call hosted by the Company on January 29, 2004.

(c) Exhibits

Included in Item 15(a)(3) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of Minneapolis, State of Minnesota on March 11, 2004.

POLARIS INDUSTRIES INC.

BY: /s/ THOMAS C. TILLER

Thomas C. Tiller
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GREGORY A. PALEN Gregory A. Palen	Chairman and Director	March 11, 2004
/s/ THOMAS C. TILLER Thomas C. Tiller	Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2004
/s/ MICHAEL W. MALONE Michael W. Malone	Vice President Finance, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 11, 2004
* Andris A. Baltins	Director	March 11, 2004
* Annette K. Clayton	Director	March 11, 2004
* William E. Fruhan, Jr.	Director	March 11, 2004
* John R. Menard, Jr.	Director	March 11, 2004
* R. M. Schreck	Director	March 11, 2004
* J. Richard Stonesifer	Director	March 11, 2004
* Richard A. Zona	Director	March 11, 2004
*By: /s/ THOMAS C. TILLER (Thomas C. Tiller Attorney-in-Fact)		March 11, 2004

* Thomas C. Tiller, pursuant to Powers of Attorney executed by each of the officers and directors listed above whose name is marked by an "*" and filed as an exhibit hereto, by signing his name hereto does hereby sign and execute this Report of Polaris Industries Inc. on behalf of each of such officers and directors in the capacities in which the names of each appear above.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Polaris Industries Inc.:

We have audited the consolidated financial statements of Polaris Industries Inc. as of December 31, 2003 and 2002, and for the years then ended, and have issued our report thereon dated January 23, 2004, (included elsewhere in this Form 10-K). Our audit also included the financial statement schedule listed in Item 15(a) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit.

In our opinion, the financial statement schedule for the years ended December 31, 2003 and 2002, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst + Young LLP

Minneapolis, Minnesota
January 23, 2004

The accompanying financial statements of the Company for the year ended December 31, 2001 were audited by Arthur Andersen LLP ("Andersen"), who were dismissed by the Company as its independent auditors on March 15, 2002. Due to Andersen's well-publicized change in circumstances since it issued the following report, the Company has not been able to obtain either a re-issuance of the report by Andersen or Andersen's consent to the inclusion of the report in this Form 10-K as would normally be required by the rules of the Securities and Exchange Commission ("SEC"). The SEC has provided certain guidance to Andersen's former audit clients, including Rule 2-02 of Regulation S-X, which provides for the inclusion of a copy of the following report in this Form 10-K and Rule 437a under the Securities Exchange Act of 1934 (the "Exchange Act"), which relieves the Company of its obligation to file Andersen's consent with this Form 10-K. That guidance from the SEC also requires that we inform you that under the circumstances you may not be able to recover against Andersen under Section 11 of the Exchange Act in the event that the Company's financial statements that were audited by Andersen contained material misstatements or omissions.

Certain financial information for the year ended December 31, 2001 was not reviewed by Andersen and includes (1) reclassifications to conform to the Company's fiscal 2003 financial statement presentation, and (2) reclassifications and additional disclosures to conform with new accounting pronouncements and SEC rules and regulations issued during fiscal 2003 and fiscal 2002.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Polaris Industries Inc.

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Polaris Industries Inc. and Subsidiaries included in this Form 10-K and have issued our report thereon dated January 23, 2002. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule appearing elsewhere in this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota
January 23, 2002

POLARIS INDUSTRIES INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Other Changes Add (Deduct) (1)	Balance at End of Period
2001: Deducted from asset accounts —				
Allowance for doubtful accounts receivable . . .	$2,545	$1,858	$ (797)	$3,606
2002: Deducted from asset accounts —				
Allowance for doubtful accounts receivable . . .	$3,606	$2,021	$(1,192)	$4,435
2003: Deducted from asset accounts —				
Allowance for doubtful accounts receivable . . .	$4,435	$2,517	$(1,314)	$5,638

(1) Uncollectible accounts receivable written off, net of recoveries.

POLARIS INDUSTRIES INC.

EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K For Fiscal Year Ended December 31, 2003

Exhibit Number	Description
3(a)	Articles of Incorporation of Polaris Industries Inc. (the "Company"), as amended.
(b)	Bylaws of the Company, incorporated by reference to Exhibit 3(b) to the Form S-4.
4(a)	Specimen Stock Certificate of the Company, incorporated by reference to Exhibit 4 to the Form S-4.
(b)	Rights Agreement, dated as of May 18, 2000 between the Company and Norwest Bank Minnesota, N.A. (now Wells Fargo Bank Minnesota, N.A.), as Rights Agent, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed on May 25, 2000.
10(a)	Polaris 401(K) Retirement Savings Plan, incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 11, 2000 (No. 333-94451).
(b)	Polaris Industries Inc. Supplemental Retirement/Savings Plan incorporated by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2002.
(c)	Polaris Industries Inc. Employee Stock Ownership Plan effective January 1, 1997 incorporated by reference to Exhibit 10(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
(d)	Polaris Industries Inc. 1999 Broad Based Stock Option Plan incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 5, 1999 (No. 333-77765).
(e)	Management Bonus Plan, incorporated by reference to Exhibit 10(j) to the Company's Registration Statement on Form S-1.*
(f)	Amended and restated Polaris Industries Inc. 1995 Stock Option Plan, incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 18, 2002 (No. 333-84478).*
(g)	Polaris Industries Inc. Deferred Compensation Plan for Directors incorporated by reference to Exhibit 10(h) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.*
(h)	Joint Venture Agreement between the Company and Transamerica Commercial Finance Corporation, now known as Transamerica Distribution Finance ("TDF") dated February 7, 1996 incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
(i)	Manufacturer's Repurchase Agreement between the Company and Polaris Acceptance dated February 7, 1996 incorporated by reference to Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
(j)	Multi-Year Revolving Credit Agreement dated June 27, 2003, among the Company, certain subsidiaries of the Company, the lenders identified therein, Bank of America N.A., as administrative agent and issuing lender, U.S. Bank N.A., as syndication agent, and The Bank of Tokyo-Mitsubishi, Ltd., Chicago Branch, as documentation agent, incorporated by reference to Exhibit 10(j) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2003.
(k)	364 Day Revolving Credit Agreement dated June 27, 2003, among the Company, certain subsidiaries of the Company, the lenders identified therein, Bank of America N.A., as administrative agent and issuing lender, U.S. Bank N.A., as syndication agent, and The Bank of Tokyo-Mitsubishi, Ltd., Chicago Branch, as documentation agent, incorporated by reference to Exhibit 10(k) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2003.

Exhibit Number	Description
(l)	Shareholder Agreement with Fuji Heavy Industries LTD., incorporated by reference to Exhibit 10(k) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.
(m)	Registration Rights Agreement between and among the Company, Victor K. Atkins, EIP I Inc., EIP Holdings Inc. and LB I Group Inc., incorporated by reference to Exhibit 10(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.
(n)	Amended and Restated Polaris Industries Inc. 1996 Restricted Stock Plan, incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on March 18, 2002 (No. 333-84478).
(o)	Polaris Industries Inc. Employee Stock Purchase Plan, incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 3, 1997 (No. 333-21007).
(p)	Form of Change of Control Agreement entered into with executive officers of Company incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-K for the year ended December 31, 1996.*
(q)	Employment Agreement between the Company and Thomas C. Tiller dated July 11, 2001, incorporated by reference to Exhibit 10(s) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001.*
(r)	First Amendment to Joint Venture Agreement between the Company and TDF dated June 30, 1999, incorporated by reference to Exhibit 10(x) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
(s)	Second Amendment to Joint Venture Agreement between the Company and TDF dated February 24, 2000, incorporated by reference to Exhibit 10(y) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
(t)	Revolving Program Agreement between Polaris Sales Inc. and Household Bank (SB), N.A. dated October 15, 2001, incorporated by reference to Exhibit 10(t) to the Company's Annual Report on Form 10-K for the year ended December 31, 2001.
(u)	Polaris Industries Inc. 2003 Non-Employee Director Stock Option Plan, incorporated by reference to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 17, 2003 (No. 333-110541).
13	Portions of the Annual Report to Security Holders for the Year Ended December 31, 2003 included pursuant to Note 2 to General Instruction G.
21	Subsidiaries of Registrant.
23	Consent of Ernst & Young LLP.
24	Power of Attorney.
31(a)	Certification of Chief Executive Officer required by Exchange Act Rule 13a-14(a).
31(b)	Certification of Chief Financial Officer required by Exchange Act Rule 13a-14(a).
32(a)	Certification furnished pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification furnished pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan.

EXHIBIT 31(a)

I, Thomas C. Tiller, certify that:

1. I have reviewed this annual report on Form 10-K of Polaris Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS C. TILLER

Thomas C. Tiller
President and Chief Executive Officer

Date: March 11, 2004

EXHIBIT 31(b)

I, Michael W. Malone, certify that:

1. I have reviewed this annual report on Form 10-K of Polaris Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL W. MALONE

Michael W. Malone
Vice President — Finance,
Chief Financial Officer and Secretary

Date: March 11, 2004

OTHER INVESTOR INFORMATION

STOCK EXCHANGES

Shares of common stock of Polaris Industries Inc. trade on the New York Stock Exchange and on the Pacific Stock Exchange under the symbol PII.

INDEPENDENT AUDITORS

Ernst & Young LLP
Minneapolis, MN

TRANSFER AGENT AND REGISTRAR

Communications concerning transfer requirements, address changes, dividends and lost certificates, as well as requests for Dividend Reinvestment Plan enrollment information, should be addressed to:

Wells Fargo Bank Minnesota, N.A.
Shareowner Services
161 North Concord Exchange
South St. Paul, MN 55075-1139
1-800-468-9716
www.wellsfargo.com/com/shareowner_services

ANNUAL SHAREHOLDERS' MEETING

The meeting will be held at 9 a.m., Thursday, April 22, 2004, at the Polaris Industries Inc. corporate headquarters, 2100 Highway 55, Medina, Minnesota. A proxy statement will be mailed on or about March 11, 2004, to each shareholder of record on March 1, 2004.

SUMMARY OF TRADING

For the Years Ended December 31,

	2003		2002	
Quarter	**High**	**Low**	High	Low
First	**$30.05**	**$22.11**	$33.13	$26.03
Second	**33.03**	**24.38**	38.38	30.70
Third	**40.71**	**29.93**	38.50	29.00
Fourth	**46.15**	**37.00**	33.78	28.00

CASH DIVIDENDS DECLARED

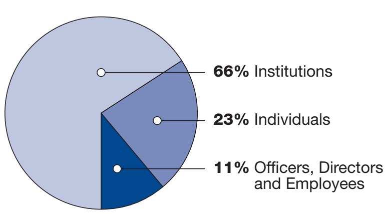
Cash dividends are declared quarterly and have been paid since 1995. As of January 22, 2004, the quarterly dividend was increased to $0.23 per share.

Quarter	**2003**	2002
First	**$ .155**	$ 0.14
Second	**.155**	0.14
Third	**.155**	0.14
Fourth	**.155**	0.14
Total	**$ 0.62**	$ 0.56

SHAREHOLDERS OF RECORD

Shareholders of record of the Company's common stock on February 24, 2004 were 2,712.

SHAREHOLDER COMPOSITION



DIVIDEND REINVESTMENT PLAN

Shareholders may automatically reinvest their dividends in additional Polaris common stock through the Dividend Reinvestment Plan, which also provides for purchase of common stock by voluntary cash contributions. For additional information, please write, phone or visit the Wells Fargo Bank shareowner services Web site.

PRODUCT BROCHURES

For product brochures and dealer locations, write or call:

Polaris Industries Inc.
2100 Highway 55
Medina, MN 55340
1-800-Polaris (1-800-765-2747)

INTERNET ACCESS

To view the Company's annual report and financial information, products and specifications, press releases, and dealer locations, access Polaris on the Internet at:

www.polarisindustries.com
www.victory-usa.com

INVESTOR RELATIONS

Security analysts and investment professionals should direct their business-related inquiries to:

Richard Edwards
Director Investor Relations
Polaris Industries Inc.
2100 Highway 55
Medina, MN 55340
763-513-3477
richard.edwards@polarisind.com

RESEARCH COVERAGE AS OF FEBRUARY 2004

A.G. Edwards
Bank of America Securities
Craig-Hallum Partners
Merrill Lynch
Midwest Research
Prudential Securities
Raymond James & Associates
RBC Capital Markets
Robert W. Baird & Co.
SBK Brooks Investment Corp.
Stanford Group Co.

STOCK-SPLIT HISTORY

August 1993	2 for 1
October 1995	3 for 2
March 2004	2 for 1

POLARIS INDUSTRIES INC.
2100 HIGHWAY 55
MEDINA, MN 55340

763-542-0500
763-542-0599 FAX

www.polarisindustries.com

Polaris invites you to

join us in a year-long celebration

of our 50th Anniversary.

1954-2004

Visit our Web site at

http://50years.polarisindustries.com

for a complete calendar

of activities and special events.