Charting the Course to Profitable Growth

October 2012
Safe Harbor Statement

This presentation includes forward-looking statements (statements which are not historical facts) within the meaning of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's prospects, resources, capabilities, current or future financial trends or operating results, demand for the Company's objectives, expectations, products, future plans for introduction of new products and the anticipated outcome of new business initiatives. Factors that could cause Nautilus, Inc.'s actual results to differ materially from these forward-looking statements include our ability to acquire inventory from sole source foreign manufacturers at acceptable costs, within timely delivery schedules and that meet our quality control standards, availability and price of media time consistent with our cost and audience profile parameters, a decline in consumer spending due to unfavorable economic conditions in one or more of our current or target markets, an adverse change in the availability of credit for our customers who finance their purchases, our ability to pass along vendor raw material price increases and increased shipping costs, our ability to effectively develop, market and sell future products, our ability to protect our intellectual property, and the introduction of competing products. Additional assumptions, risks and uncertainties are described in detail in our registration statements, reports and other filings with the Securities and Exchange Commission, including the "Risk Factors" set forth in our Annual Report on Form 10-K, as supplemented by our quarterly reports on Form 10-Q. Such filings are available on our website or at www.sec.gov. You are cautioned that such statements are not guarantees of future performance and that actual results or developments may differ materially from those set forth in the forward-looking statements. We undertake no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances.

Unless otherwise indicated, all information regarding our operating results pertain to continuing operations.
Nautilus Fall 2012 Update - Highlights

• The Business has been successfully transformed into a simplified, much more focused and profitable, growth oriented model
• Significant momentum on key initiatives which began last year are starting to pay dividends
• Stepped up new product development efforts are getting traction
  – Pipeline of new launches starting Q3 2012 through 2013
• Operating expense controls and leverage potential are evident
  – First half operating ratio was 42.7% of sales versus 45.2% last year
• Balance sheet is well positioned to support business growth
  – All remaining debt paid off in March 2012
  – Cash balance at $16.1M as of June 2012

Plans and strategies are in place to deliver...
  – growth above the industry average
  – profitability in line with top consumer durables companies
Nautilus Fall 2012 Update

- Recent Financial Performance Improvement
- Recent Business Initiative Results
- Objectives and Strategies for the Future
- Themes of Execution
- Summary

Other Background Information
- Nautilus Business Profile
- Historical Perspective
## Business Model Transformation

<table>
<thead>
<tr>
<th>2007</th>
<th>2012</th>
<th>GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex</td>
<td>Simplified</td>
<td>Remain Simplified; <em>but with stepped up product innovation and brand utilization</em></td>
</tr>
<tr>
<td>Lack of Focus</td>
<td>Focused on Home Use Markets</td>
<td>Remain Focused; <em>but with more diversified product lines</em></td>
</tr>
<tr>
<td>Significant Infrastructure Globally</td>
<td>Lean Operations</td>
<td>Continue; <em>but with even greater leverage of current infrastructure</em></td>
</tr>
<tr>
<td>Years of Financial Losses</td>
<td>Profitable and Positioned for Further Improvement</td>
<td>Continue; <em>building towards higher operating margin</em></td>
</tr>
<tr>
<td>Weak Balance Sheet</td>
<td>Strong Balance Sheet</td>
<td>Maintain and Build; <em>utilize to improve shareholder value</em></td>
</tr>
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</table>
**Recent Financial Performance Improvement**

<table>
<thead>
<tr>
<th>METRIC</th>
<th>YOY First Half 2012</th>
<th>Last Twelve Months - Q2 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Revenue Growth <em>increased</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Direct</td>
<td>+ 9.4%</td>
<td>+ 7.4%</td>
</tr>
<tr>
<td>– Retail</td>
<td>+ 10.9%</td>
<td>+ 10.1%</td>
</tr>
<tr>
<td>– Retail</td>
<td>+ 8.1%</td>
<td>+ 3.6%</td>
</tr>
<tr>
<td>• Gross Margin <em>improved</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Direct</td>
<td>+ 110 bps</td>
<td>+ 10 bps</td>
</tr>
<tr>
<td>– Retail</td>
<td>+ 230 bps</td>
<td>+ 150 bps</td>
</tr>
<tr>
<td>– Retail</td>
<td>- 100 bps</td>
<td>- 310 bps</td>
</tr>
<tr>
<td>• Operating Expense ratio <em>improved</em></td>
<td>45.2% to 42.7%</td>
<td>44.9% to 40.5%</td>
</tr>
<tr>
<td>• June Cash net of debt <em>improved</em></td>
<td>$16.1M vs $9.6M Last Year *</td>
<td>---</td>
</tr>
<tr>
<td>• Income from Continuing Operations <em>increased</em></td>
<td>Loss of $1.1M to gain of $2.2M</td>
<td>Loss of $1.5M to gain of $5.7M</td>
</tr>
</tbody>
</table>

* Remaining debt was paid off in March 2012 ($5.5M)
Continuing Operations Only

*2012 LTM results shown are for the last twelve month’s actual performance which includes July 2011 through June 2012
Operating Income Progress

Operating Income / Loss by Quarter

Continuing Operations - Quarterly results are unaudited
Recent Business Initiative Results – Significant Momentum

First Half 2012

- Top line growth and margin improvement from new products
  - New line of TCs, CBR, Retail items introduced in 2011 / 2012
- Milestone consumer and brand research study completed
  - Setting brand strategy; improved product positioning
  - Filtering and better targeting of new products
  - Focus licensing opportunities
- Increased new product development resources have been put in place
  - Advanced Development Group created
  - New disciplines to enhance product innovation
- New product pipeline filling for 2013 and beyond
  - Back half 2012 planned launches include DVD program, more Retail items, digital caloric tracking device
- Secured back half 2012 price increases to help mitigate product cost pressures
- Significantly advanced diversification of supply base and negotiated more favorable payment terms
Recent Business Initiative Results (cont.)

First Half 2012

- Placements secured with new Retail customers
- Cost improvement initiatives being institutionalized
  - Focus on products, processes, and services
- Remaining debt was paid off in March ($5.5M)
- Organizational progress:
  - New CFO (Linda Pearce) joined in August this year
  - Significant talent added throughout R&D
  - Move to lower cost office completed in August
  - Redesigned incentive plan for better alignment with performance to long term goals

Significant momentum on key initiatives begun last year and we are beginning to harvest gains from those efforts
New Product Development Progress – *Stepped up pace*

- In 2012 we have launched several new products (many shown below) with more on the way:

  - **Schwinn 520 Recumbent Elliptical**
  - **CoreBody Reformer Creative Refresh**
  - **Schwinn AD6 Airdyne**
  - **Schwinn A40 and 425 Elliptical**
  - **Bowflex 445 Dumbbells**
  - **Coming in Q4:**
    - DVD Workout Program
    - and a Digital Caloric Tracking Device
Brand Research Findings – *Significant Opportunity*

- In early 2012 we engaged in a large nationwide survey of attitudes and behaviors toward fitness across all geographic, age, gender, and income demographics.

- We confirmed that we hold industry leading brands, and also gained valuable insights into consumer attitudes toward modalities, desired goals, and shopping preferences.

1,500+ respondents maintaining journals of activity and answering questions regarding fitness equipment modalities and brands

- **Recognized Brands**
  - Bowflex ranks #1 in awareness
  - Nautilus and Schwinn also rank near top of awareness
  - Universal is untapped opportunity

- **Desired Attributes**
  - All brands ranked at the top of the industry for quality, durability, and company reputation
  - Bowflex: Innovative, Quick and Proven Results
  - Nautilus: Serious Fitness
  - Schwinn: Quality Cardio

- **Market Opportunities**
  - Differentiated brands allow greater market flexibility
  - Unique consumer segments and product opportunities for each brand
  - Roadmap established to drive licensing direction
Objectives and Strategies – Getting to the Goal

**OUR EXPECTATIONS FOR THE FUTURE**

<table>
<thead>
<tr>
<th><strong>KEY ELEMENTS</strong></th>
<th><strong>STRATEGIES/METRICS</strong></th>
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</thead>
<tbody>
<tr>
<td>Business Strategies</td>
<td>How we grow and compete</td>
</tr>
<tr>
<td>Operational Capabilities</td>
<td>Added core competencies</td>
</tr>
<tr>
<td>Organizational</td>
<td>How we do what we do</td>
</tr>
<tr>
<td>Financials</td>
<td>The scorecard</td>
</tr>
</tbody>
</table>

Plans to achieve the desired business profile are being implemented
Business Strategy for the Future – *Ideal State*

- New products focus / diversified product line offering
  - Expanded cardio and alternative fitness
  - Stabilized and growing strength business
- Brands further developed via internal marketing and licensing
- Expanded International sales; growth on a paced, low risk basis
  - Represents <1% today
- Expanded Licensing opportunities to extend brand building and increase royalty stream
- Further built-in resilience to consumer credit environment via product diversification
- Maximized shareholder return including optimal use of cash
- Achieved desired level of Organizational Excellence
  - Culture of improvement, innovation, and execution
Targeted Financial Objectives – Potential for the Future

• Revenue growth pace approximating 9% / year for both Retail and Direct
  ▪ Direct: Keeping current pace a low double digit / year
  ▪ Retail: Slower start but achieving 8-9% / year as we continue to execute and the consumer spending environment improves

• Gross margin improvement of 3-4% points
  ▪ Retail: Turnaround trend expected to begin second half 2012 and build from there over the longer term
  ▪ Direct: Further modest gains possible

• Operating expense: Greater leverage is possible 1-3% points
  ▪ S&M investment for new product launches is mostly scalable
  ▪ Gradual continued R&D investment
  ▪ Investment in brand development

• Operating income range approximating 7-10% (versus 2% in 2011) *

Although we are not yet positioned to identify precise timeframes for achievement of our objectives, we believe that with continued execution of our strategy we can deliver long term financial performance in-line with top performing peers

* Excludes oppty’s / changes in licensing royalty stream
Levers to Generate Growth and Increased Profitability

Unique Multi-Channel Business Model Capabilities

Cost Opportunities in Supply Chain

Strongest Brands in the Industry (Including #1)

Balance Sheet Provides Flexibility for Growth

Re-invigorated New Product Development and Diversification

Very Efficient Working Capital Model

Overhead Structure is Highly Leverage-able

Significant Licensing Royalty Stream

Un-penetrated International Markets

Low Market Share in Retail
# Generating Long Term EPS Growth

<table>
<thead>
<tr>
<th></th>
<th>Revenue Growth</th>
<th>Margin Improvements</th>
<th>Operating Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Product Pipeline (more, and more diverse)</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Brand Leverage</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Increased Retail Share</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Increased Licensing</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Supply Chain Efficiencies</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cost Improvements</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Leveraging Overhead Structure</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Marketing and Media Efficiency</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Strong Company Culture (continuous improvement)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
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</table>
Themes of Execution

• Deliver short term improvements while building for the future
  – Build in sustainable improvements

• Exploit our competitive advantages in **brands**, **product quality** and **innovation**, **marketing expertise**, and **customer loyalty**

• Diagnose, plan, deploy, and course correct when necessary
  – Create culture of optimization and search out opportunities

• Tight controls on operating expense and working capital

These underlying themes of execution will enable us to advance our initiatives **with pace**
Summary

• We have built a strong foundation for execution of our strategies to achieve the ideal state and to realize the potential in the business

• Management team is focused on key strategies and initiatives to deliver the mid-term financial objectives

• Additional underpinnings to support our longer term strategy for growth are being implemented in 2012 / 2013
  – Product development and diversification
  – Brand development and penetration, including licensing
  – Cost structure and operational capabilities
  – Organizational Excellence

• Always mindful of return to shareholders via EPS growth and capital allocation

The potential is there, the plan is clear, the trajectory is good
We are focused on delivering value to our shareholders through sustained EPS growth. By executing our strategies, we expect to deliver strong EPS growth over the long term.
– Nautilus Business Profile
– Historical Perspective
Nautilus Cardio Product Lines

TreadClimber by Bowflex

Schwinn Fitness

Nautilus

CoreBody Reformer
Nautilus Strength Product Lines

- Bowflex / Nautilus SelectTech Dumbbells
- Bowflex Revolution and Rod Based Home Gyms
- Universal Strength Accessories
- Bowflex BodyTower
Consumer Reach - Direct

- Direct to Consumer
  - Our direct to consumer business utilizes television and online advertising, in addition to social media, to drive sales via our websites and call center.
Consumer Reach – Retail

- Retail
  - Distributes products via multiple third-party retailers located in the US and Canada, as well as through leading e-commerce sites such as Amazon.com
- Revenues peaked at $680M* in 2006, however profitability was eroding, cash dwindling and debt was rising

- Economic downturn in 2008 / 2009 negatively affected consumer discretionary purchases

- Commercial and Pearl Izumi businesses divested in 2008 / 2009 and largely eliminated debt while shoring up the balance sheet

- Restructured in 2009-2010 to focus on the consumer market
  - Direct to consumer via TV / Internet
  - Retail via both traditional store placement and leading e-commerce sites

*Includes income from discontinued and continuing operations
Revenue and Income from both Discontinued and Continuing Operations

*2012 LTM results shown are for the last twelve month’s actual performance which includes July 2011 through June 2012