



Nautilus, Inc.
16400 SE Nautilus Drive
Vancouver, WA 98683

Annual Report Summary

- General Overview of progress
 - In 2005, Nautilus profits exceeded \$630 million
 - Total sales rose in international markets, a \$22 million increase
 - US sales increased nearly \$100 million from last year
 - 22 new products: the focus is on innovation, testing, and prototyping
 - 1550 employees in US
 - Extensive warranties to consumers
 - Acquired Pearl iZUMi, a major producer of outdoor apparel and cycling equipment, for \$75.3 million
 - Continue to do well against major competitors: Nike, New Balance, Adidas, ICON Health and Fitness, and Fitness Quest
- Business strategies and advertising approaches
 - A "pure fitness" approach - have consumer utilize Nautilus fitness equipment, apparel, and food (Champion Nutrition)
 - Research on how to leverage research dollars to meet customer demands
 - Move more products out to retail outlets, directly to consumer
 - Turn inquiries into sales
 - > Customer service call center open 18-23 hrs/day. This allows customers worldwide to inquire and be assisted at any point in the day.
 - > Telemarketing service handles all interest for on and offline inquiries
 - > Powerful commercials and infomercials generate interest and requests for equipment
 - Utilize the power of internet advertising
 - Advertise in trade publications, direct mail promotions, *Nautilus Institute*, trade shows, the Internet, sports magazines, product seeding, wholesalers, retail stores (REI, Dick's)
 - Least sales are in second quarter – most people watch TV finales
- Customer Base
 - Sell to health clubs, government recreation centers, hotels, corporate fitness centers, colleges and universities, and assisted living centers.
 - Sell to USA, Asia, Europe, Canada, and South America. Largest foreign markets reside in Canada, UK, Germany, and Italy (seasons impact all markets)
 - Sales have been increasing since customers are becoming more educated about fitness and using their education to stay healthy
- Financial Review
 - NLS (Nautilus's code on NYSE) ranged from \$16-30
 - Gross income of \$278,814,000, with net sales \$631.3 million
 - Assets: \$413,286,000
 - 75,000,000 total shares
 - Stock options yield 2.2%

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