Direct Business Review

March 10, 2009

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Direct business overview

($ millions)	2007	2008	% Change
Sales	$ 249.0	$ 185.7	*(25.4%)*
Cost of Goods Sold	98.5	74.2	
Gross Profit	150.5	111.5	
Gross Margin	*60.4%*	*60.0%*	
Advertising	78.5	66.9	
Other SG&A	64.7	41.8	
Segment Contribution	7.3	2.8	*(61.6%)*
Contribution Margin	*2.9%*	*1.5%*	
Net Working Capital	$ (5.3)	$ (1.7)	

- Marketed under Bowflex brand
- Historically focused on strength
  - Principally home gyms
- Cardio segment increasing in importance
  - TreadClimber
- Changes in economy affect Direct business with almost no lag time
- High gross profit margins create high leverage to sales growth
- Low working capital requirements
  - Outsourced manufacturing
  - Short receivables cycle <8 days

Market position

- Strength (Home Gyms)
  - Principal target demographics

Male	70% of sales
18-44 years old	66% of sales

  - Focused on appearance
  - Generally lower credit scores
  - Number of consumers in major target demographic group approximately 3-5 million
  - Bowflex Home Gym market penetration relatively high

- Cardio (TreadClimber)
  - Principal target demographics

Female	60%+ of sales
25-54 years old	74% of sales

  - Focused on weight loss and wellness
  - Generally higher credit scores / less reliance on credit
  - Number of consumers in major target demographic groups approximately 25 million
  - Bowflex TreadClimber market penetration relatively low

Recent Direct product line trends

($ millions)	2008 Q1	Q2	Q3	Q4	Total
Total Direct Sales	$ 69.7	$ 41.3	$ 38.7	$ 36.0	$ 185.7
y/y % change	*(6.1%)*	*(23.2%)*	*(33.7%)*	*(41.6%)*	*(25.4%)*

- Economic factors
- Consumer credit

- Strength (Home Gyms)

(Indexed, Q1=100)	2008 Q1	Q2	Q3	Q4
Customer Leads	100	66	75	57
Credit Applications	100	57	65	58
Sales (units)	100	56	55	42
% of sales financed	*66%*	*63%*	*65%*	*62%*

- Overall leads down due to the economy
- Customer intent remains strong
  - Ratio of leads to credit applications unchanged
- Rate of credit approval declined significantly
  - Target demographic credit scores typically lower

Recent Direct product line trends (cont'd)

- Cardio (TreadClimber)

(Indexed, Q1=100)	2008 Q1	Q2	Q3	Q4
Customer Leads	100	70	78	109
Credit Applications	100	66	66	90
Sales (units)	100	57	53	79
% of sales financed	*57%*	*57%*	*58%*	*57%*

- Customer leads increased despite economy
  - Success of repositioned price points in Q3
  - Changed advertising messaging in Q3
- Lower reliance on financing and higher credit approval rate than strength
  - Reflects target demographics
  - Repositioned advertising message
- Improving Q4 leads trend continued in January and February

(Indexed, 2008=100)	January & February 2008	2009
Customer Leads	100	123
Credit Applications	100	134
Orders (units)	100	102
% of sales financed	*69%*	*56%*

Product strategy

- Maintain leadership position in strength segment
  - Evaluating new fitness designs for 2010 introduction
- Grow in cardio
  - Additional emphasis on “health and wellness” to attract more affluent demographic groups
  - Relatively untapped market for Direct business
- TreadClimber benefits vs. treadmill
  - Equal or better weight loss and cardiovascular conditioning
    - achieve same benefits at walking speed as running on treadmill
  - Comfortable, natural walking motion
  - Lower speeds minimize stress on muscles and joints (knee, hips and back)
- Especially relevant to “health and wellness” consumers
- TreadClimber issued and pending patents extend to 2026
  - Protected by 69 U.S. and foreign patents covering unique product features

Market data

- Relative retail market sizes

	Market Size[1]	
	$mm	% of Total
Treadmills	967	40%
Ellipticals	763	32%
Stationary Bicycles	393	16%
Subtotal Cardio	*2,123*	*88%*
Home Gyms	286	12%
Total	2,409	100%

- Target demographic groups for low-impact cardio products
  - Females 35-54 years old with "health factors" — 17.3 million[2]
  - Males / Females 50-54 years old — 20.3 million

(1) Retail only at wholesale value; excludes on-line and direct marketing sales; Source: Sporting Goods Manufacturers' Association, April 2008

(2) Includes diet control, eating habits, cholesterol levels, etc.; Source: Centers for Disease Control

Direct brand approach

- Bowflex brand characteristics
  - 85% aided awareness
  - Consumer attitude: confident, charismatic, good looking, inspirational
- Utilize Bowflex brand for current customer targeting
  - Younger
  - Appearance-focused
- Nautilus brand characteristics
  - 70% aided awareness
  - Consumer attitude: authentic, disciplined, sensible, safe
- Utilize Nautilus brand for additional target groups
  - Older
  - “Health and wellness” focused
  - More affluent

TreadClimber product strategy

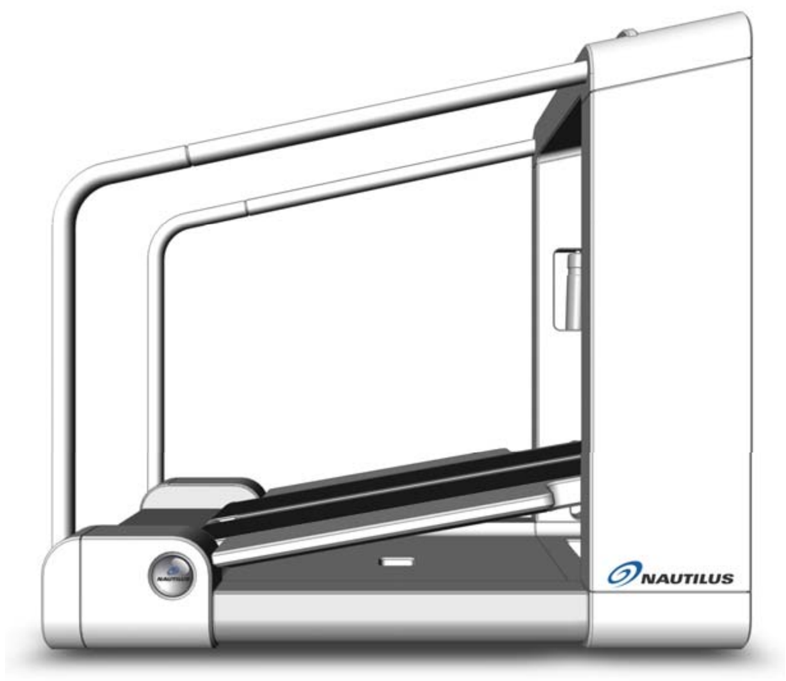
- Introduce lower cost product for delivery in Q4 2009
  - Conservative initial redesign to decrease time to market
- Re-engineer for further cost reductions in 2010
- Combine Bowflex and Nautilus volumes for lower overall costs
- Market at price points successfully tested in 2008
- Refine existing Bowflex TreadClimber messaging
- Develop new Nautilus messaging to coincide with product launch

Bowflex TreadClimber

- Maintain current Bowflex “look”

Nautilus TreadClimber

- Create visual difference to support “health and wellness” positioning



Summary

- Maintain position
  - Strength
  - Younger / male demographics
- Expand in cardio
  - Market unique high workout / low-impact design of TreadClimber
  - Large "health and wellness" target demographic group
  - Intellectual property protection strategy
- Addition of Nautilus TV advertising will support future retail strategy
- Desirable financial characteristics of TreadClimber
  - Strong incremental gross profit
  - Low working capital requirements
- Will update progress late in 2009
- Will discuss retail strategy later in 2009

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