

Nautilus, Inc.

Reconciliation of Non-GAAP Financial Measure

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

Management considers EBITDA, a non-GAAP financial measure, to be useful for investors in evaluating our operating performance. We calculate EBITDA by adding income from continuing operations, plus (i) interest expense net of interest income, (ii) income tax expense and (iii) depreciation and amortization. A reconciliation of EBITDA to income from continuing operations is as follows (in millions).

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽²⁾</u>
Income (loss) from continuing operations⁽¹⁾	\$ (9.8)	\$ 2.5	\$ 10.6	\$ 47.7-48.3
Interest expense (income), net	0.1	0.4	(0.1)	0.0
Income tax expense (benefit) of continuing operations	0.6	0.7	(0.2)	(32.0)-(32.3)
Depreciation and amortization	6.6	3.8	3.3	3.3
EBITDA from continuing operations	\$ (2.5)	\$ 7.4	\$ 13.7⁽³⁾	\$ 19.0-19.4⁽³⁾

⁽¹⁾ Management does not include the results of discontinued operation in its calculation of EBITDA and, therefore, EBITDA was not reconciled to net income including discontinued operation.

⁽²⁾ Full year 2013 financial information is preliminary and unaudited.

⁽³⁾ May not add due to rounding.

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Reconciliation of Non-GAAP Financial Measure

Net Income and Earnings Per Diluted Share Excluding a Partial Reversal of a Valuation Allowance

Nautilus presents adjusted net income and earnings per diluted share results because management believes that due to the non-recurring nature of the partial reversal of a valuation allowance recorded against the Company's deferred tax assets resulting in an income tax benefit, including the non-GAAP results assists investors in assessing the Company's operational performance relative to its competitors and its historical financial performance.

Continuing Operations Income and Diluted EPS (as reported and excluding non-recurring items) (unaudited and in millions, except per share amounts):

Three Months Ended December 31, 2013

	Prelim Results (est range) ⁽¹⁾	Less non- recurring items ⁽²⁾	Excluding non- recurring items (est range)
Income from continuing operations	\$ 8.0-8.6	\$ (1.1)	\$ 9.1-9.7
Diluted net income per share	\$ 0.25-0.27	\$ (0.04)	\$ 0.29-0.31

Twelve Months Ended December 31, 2013

	Prelim Results (est range) ⁽¹⁾	Less non- recurring items ⁽²⁾	Excluding non- recurring items (est range) ⁽³⁾
Income from continuing operations	\$ 47.7-48.3	\$ 33.0	\$ 14.6-15.2
Diluted net income per share	\$ 1.52-1.54	\$ 1.05	\$ 0.46-0.48

⁽¹⁾ Full year and fourth quarter 2013 financial information is preliminary and unaudited.

⁽²⁾ Such items were offset by the after-tax impact of an income tax benefit (expense) related to a partial reversal of a valuation allowance recorded against the Company's deferred tax assets.

⁽³⁾ May not add due to rounding.