



July 16, 2002

2002 Second Quarter Report

VANCOUVER, Wash.--(BUSINESS WIRE)--July 16, 2002--The Nautilus Group, Inc. (NYSE: [NLS](#) - [News](#)), a leading marketer, developer, and manufacturer of branded health and fitness products, today announced its results for the quarter ended June 30, 2002.

For the second quarter of 2002, The Nautilus Group reported net sales of \$140.4 million, an increase of 87% from \$75.0 million for the second quarter of 2001. Commercial and retail sales represented 27% of total sales, up from 8% of total sales for the same period of 2001.

Net income for the second quarter of 2002 was \$25.8 million or \$0.72 per diluted share, up 77% from \$14.6 million or \$0.40 per diluted share for the same period of 2001. Cash flows from operating activities were \$17.6 million, up 178% from \$6.3 million for the same period of 2001.

During the quarter, the Company repurchased 287,600 shares of its common stock for approximately \$9.1 million. The Company ended the quarter with cash and short-term investments of \$56.1 million.

On May 21, 2002, the Company changed its corporate name from Direct Focus, Inc. (Nasdaq: [DFXI](#) - [News](#)) to The Nautilus Group, Inc. (NYSE: [NLS](#) - [News](#)) and moved to the New York Stock Exchange to reflect its strong growth and more diversified health and fitness strategy. In addition, The Nautilus Group was ranked #2 on BusinessWeek's 2002 listing of "Hot Growth Companies" and was the only company to be listed among the top five growth companies for the third consecutive year.

"We are very pleased with our strong sales and profits for the second quarter, which is seasonally our slowest quarter," said Brian Cook, chief executive officer. "We continue to leverage our multiple sales channels and powerful brand names, and successfully integrate our recent acquisitions. We believe The Nautilus Group has a marketing reach and diversified product offering that is unmatched in the health and fitness industry."

"In coming periods, we expect our growth to continue to be primarily driven by the increasing interest of the aging 'baby boomer' generation in healthy lifestyles and physical fitness. We remain very excited about our long term sales opportunities in both North America and Europe."

In addition, Peter A. Allen was elected to The Nautilus Group's board of directors during the quarter. Mr. Allen is a Managing Partner at Technology Partners International, an advisory services firm. From December 1998 to June 2001, Mr. Allen served as Chairman, President and Chief Executive Officer of Data Dimensions, Inc., an IT consulting firm. Prior to that, he served as Vice President and Chief Operating Officer of a division of Computer Sciences Corporation from 1990 to 1998. Mr. Allen received a B.S. in computer science from the University of Maryland.

"We continue to augment our already strong Board of Directors with seasoned business people who are independent of the management team and together provide a wide range of consumer products, marketing, finance, information technology and business expertise," said Mr. Cook.

A listen-only broadcast of The Nautilus Group's second quarter conference call (2:00 PM Pacific/5:00 PM Eastern) will be available on the Company's Web site under "Investor Relations/Events Calendar" at <http://www.nautilusgroup.com/ir/events.asp> or by calling 888/397-8274 or +1 706/679-7498 (Reservation No. 4716987). A 48-hour replay will be available by calling 800/642-1687 or +1 706/645-9291 (Reservation No. 4716987). A replay will also be available through July 30, 2002 on the Company's Web site.

About The Nautilus Group

The Nautilus Group, Inc. (formerly Direct Focus, Inc.) is a leading marketer, developer, and manufacturer of branded health and fitness products sold under such well-known names as Nautilus, Bowflex, Schwinn and StairMaster. The Company currently markets its Bowflex home fitness equipment and Nautilus Sleep Systems through its direct-marketing channel, using an effective combination of television commercials, infomercials, response mailings, the Internet, and inbound/outbound call centers. The Company sells its Nautilus, Schwinn and StairMaster commercial fitness equipment through its sales force and selected dealers to health clubs, government agencies, hotels, corporate fitness centers, colleges, universities, and assisted living facilities. The Nautilus Group also markets and sells a complete line of consumer fitness equipment, under its Nautilus, Schwinn and StairMaster brands, through a network of specialty dealers, distributors, and retailers worldwide. The Company is

headquartered in Vancouver, Washington. The Nautilus Group is located on the Web at www.nautilusgroup.com.

This press release contains forward-looking statements relating to anticipated sales, revenue growth, and the development of The Nautilus Group's products and services, including statements regarding its Nautilus, Schwinn Fitness, and StairMaster businesses. Factors that could affect The Nautilus Group's actual results include its reliance on a limited product line, fluctuations in advertising rates, market acceptance of its existing and future products, growth management challenges including the growth resulting from the acquisition of the assets of Schwinn Fitness in September 2001 and StairMaster in February 2002, a decline in consumer spending due to unfavorable economic conditions, government regulatory action, its ability to effectively identify and negotiate any future strategic acquisitions, its ability to integrate the StairMaster business and any other acquired businesses into its operations, unpredictable events and circumstances relating to international operations including its use of foreign manufacturers, and general economic conditions. Please refer to our reports and filings with the Securities and Exchange Commission, including our most recent annual report on Form 10-K and quarterly reports on Form 10-Q, for a further discussion of these risks and uncertainties. We also caution you not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made or to reflect the occurrence of unanticipated events.

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THE NAUTILUS GROUP, INC.
Consolidated Statements of Operations
(In Thousands, Except Share and Per Share Data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
NET SALES	\$ 140,408	\$ 75,009	\$ 276,322	\$ 149,864
COST OF SALES	56,639	25,772	115,392	51,076
Gross profit	83,769	49,237	160,930	98,788
OPERATING EXPENSES:				
Selling and marketing	34,091	22,634	65,691	45,785
General and administrative	7,376	3,413	13,640	6,616
Royalties	2,565	1,659	4,894	3,322
Total operating expenses	44,032	27,706	84,225	55,723
OPERATING INCOME	39,737	21,531	76,705	43,065

OTHER INCOME:				
Interest income	477	1,117	927	2,512
Other - net	139	86	158	187
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Total other income, net	616	1,203	1,085	2,699
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INCOME BEFORE INCOME TAXES				
	40,353	22,734	77,790	45,764
INCOME TAX EXPENSE				
	14,527	8,184	28,006	16,475
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NET INCOME	\$ 25,826	\$ 14,550	\$ 49,784	\$ 29,289
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BASIC EARNINGS PER SHARE				
	\$ 0.73	\$ 0.41	\$ 1.42	\$ 0.83
DILUTED EARNINGS PER SHARE				
	\$ 0.72	\$ 0.40	\$ 1.39	\$ 0.81
Basic shares outstanding				
	35,173,064	35,106,748	35,091,136	35,297,229
Diluted shares outstanding				
	36,060,891	36,004,062	35,921,542	36,122,757

THE NAUTILUS GROUP, INC.
Consolidated Balance Sheets
(In Thousands)
(Unaudited)

	June 30, 2002	December 31, 2001
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ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,685	\$ 35,639
Short-term investments	25,408	16,070
Trade receivables, net	22,072	24,858
Inventories, net	68,828	45,516
Prepaid expenses and other current assets	3,621	2,007
Notes receivable	2,808	2,672
Current deferred tax asset	1,333	1,425
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Total current assets	154,755	128,187
PROPERTY, PLANT, AND EQUIPMENT, net	41,802	25,228
OTHER ASSETS, net	48,076	40,490
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TOTAL ASSETS	\$ 244,633	\$ 193,905
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LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 25,472	\$ 25,256
Accrued liabilities	13,864	10,888
Income taxes payable	4,292	4,792
Royalty payable to stockholders	2,413	1,885
Customer deposits	1,142	1,000
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Total current liabilities	47,183	43,821
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LONG-TERM DEFERRED TAX LIABILITY	3,835	2,670
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STOCKHOLDERS' EQUITY:		
Common stock	601	4,900
Retained earnings	192,421	142,637
Accumulated other comprehensive income (loss)	593	(123)
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Total stockholders' equity	193,615	147,414
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 244,633	\$ 193,905
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