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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

NU SKIN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-12421	87-0565309
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

75 West Center Street
Provo, Utah 84601
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (801) 345-6100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Class A Common Stock, $.001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Based on the closing sales price of the Class A Common Stock on the New York Stock Exchange on March 15, 2001, the aggregate market value of the voting stock (Class A and Class B Common Stock) held by non-affiliates of the Registrant was approximately $277,200,000. For purposes of this calculation, voting stock held by executive officers, directors, and stockholders holding more than 10% of the voting stock has been excluded.

As of March 15, 2001, 31,617,013 shares of the Registrant's Class A Common Stock, $.001 par value per share, and 52,542,925 shares of the Registrant's Class B Common Stock, $.001 par value per share, were outstanding.

Documents incorporated by reference. Portions of the Registrant's Annual Report to Stockholders to be furnished to the stockholders of the Registrant pursuant to Rule 14a-3(b) in connection with Registrant's 2001 Annual Meeting of Stockholders are attached hereto as Exhibit 13 and are incorporated herein by reference into Parts II and IV of this Form. Portions of the Registrant's definitive Proxy Statement for the Registrant's 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year end are incorporated by reference in Part III of this report.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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FORWARD LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K, IN PARTICULAR "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," WHICH IS INCORPORATED BY REFERENCE TO THE COMPANY'S 2000 ANNUAL REPORT TO STOCKHOLDERS, AND "ITEM 1. BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, AND OTHER FINANCIAL RESULTS, NEW PRODUCTS, FUTURE OPERATIONS AND OPERATING RESULTS, AND FUTURE BUSINESS AND MARKET OPPORTUNITIES. THE COMPANY WISHES TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO THE COMPANY'S BUSINESS, SEE "ITEM 1. BUSINESS -- RISK FACTORS" BEGINNING ON PAGE 20.

Unless the context requires otherwise, references to the Company are to Nu Skin Enterprises, Inc. and its subsidiaries. In this Annual Report on Form 10-K, references to "dollars" and "$" are to United States dollars. Nu Skin, Pharmanex, "6S Quality Process" and Big Planet are trademarks of the Company. The italicized product names used in this Annual Report on Form 10-K are product names and also, in certain cases, trademarks of the Company.

PART I

ITEM 1. BUSINESS

General

Nu Skin Enterprises ("Nu Skin Enterprises" or the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care and nutritional products. The Company also markets and distributes technology, Internet and telecommunications products and services. Nu Skin Enterprises is one of the largest direct selling companies in the world and currently operates in more than 30 countries throughout Asia, North and South America and Europe. The Company distributes its products exclusively through a network marketing system. The Company currently has a network of approximately 475,000 active distributors located throughout its markets that purchase products for resale to consumers and for personal consumption.

Operating Divisions

Nu Skin Enterprises currently has three operating divisions: Nu Skin, which offers personal care products; Pharmanex, which offers nutritional products; and Big Planet, which offers technology, Internet and telecommunications products and services. Presented below are the dollar amount and percentage of revenue from the sale of Nu Skin products, Pharmanex products and Big Planet products and services for each of the years ended December 31, 1998, 1999 and 2000. This table should be read together with the information presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in the Company's Annual Report to Stockholders, which is incorporated by reference into this Form 10-K and which discusses the costs associated with generating the aggregate revenue presented.

Revenue by Product Category
(Dollar Amounts in Thousands)

	Year Ended December 31, 1998		Year Ended December 31, 1999		Year Ended December 31, 2000	
Product Category	$	%	$	%	$	%
Nu Skin	$ 560,976	61.4%	$ 503,570	56.3%	$ 446,089	50.7%
Pharmanex	352,518	38.6	379,241	42.4	387,538	44.1
Big Planet (1)	--	--	11,438	1.3	46,131	5.2
Total	$ 913,494	100.0%	$ 894,249	100.0%	$ 879,758	100.0%

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(1) The Company acquired Big Planet in July 1999. Accordingly, the table above only reflects revenue for the period during which the Company owned Big Planet (i.e., from and after July 13, 1999). Big Planet's revenue for the year ended December 31, 1998 was $14.7 million and its revenue for the year ended December 31, 1999 was $21.8 million.

Nu Skin

Overview. Nu Skin is the Company's original product line and business opportunity and currently consists of premium-quality lines of over 100 personal care products. Nu Skin's strategy is to distribute high quality personal care products and treatments that utilize advanced, innovative formulas. For example, Nu Skin was one of the first companies to market topical applications of various vitamins including Vitamins A, C and E. Other examples include the Nu Skin 180(0) ANTI-AGING SKIN THERAPY system, a scientifically advanced skin care system designed to fight the signs of aging, and the recently introduced TRU FACE LINE CORRECTOR, an innovative product utilizing pro-collagen peptides that help soften moderate to deep lines around the mouth, eyes and forehead. Nu Skin seeks to take advantage of its educated distributor force to provide consumers with a high level of information and instruction about its products and guidelines for using them most effectively.

Nu Skin Products. Nu Skin's personal care products are divided into the following lines: face care, body care, hair care, an ethnobotanical product line, color cosmetics and speciality products. Nu Skin offers products individually and in comprehensive product sets that include a variety of products in each product line. The product sets are especially popular during the opening phase of a new market, when distributors and consumers are anxious to purchase a variety of products, and during holiday and gift giving seasons in each market.

The following is a brief description of each product line within the Nu Skin division:

Face Care. The face care line is Nu Skin's premier line of personal care products and consists of over 40 different cleansers, moisturizers and special treatments. Nu Skin's cleansers and moisturizers allow users to cleanse thoroughly without causing dryness and to moisturize with effective humectants. Examples of products in this line include: REJUVENATING CREAM, a facial moisturizer and one of Nu Skin's most popular personal care products; PH BALANCE FACIAL TONER, a product combining aloe vera and other ingredients designed to prepare the skin for effective moisturization; and a NUTRICENTIALS line of products that are fortified with topically applied nutrient building blocks.

Nu Skin's specialized treatment products utilize advanced formulas and ingredients designed for specific skin care conditions. Special treatment products include the scientifically advanced NU SKIN 180(0) ANTI-AGING SKIN THERAPY system of products. These products utilize elevated levels of lactic acids to help fight the signs of aging for visible results in as early as seven days. Specialty treatments include a variety of other products including NU SKIN WHITE, a line of pigment lighteners, and SKIN BRIGHTENING COMPLEX, which is designed to lighten skin color and diminish the appearance of discoloration caused by sun exposure and aging.

At its 2001 international convention, Nu Skin introduced 14 new products in its various product categories, including, TRU FACE LINE CORRECTOR and a NU SKIN GALVANIC SPA SYSTEM, which utilizes new patented technology to provide spa facial benefits in the home.

Body Care. Nu Skin's line of body care products incorporates premium-quality ingredients to cleanse and condition skin. The body care product line consists of eight different cleansers, moisturizers and special treatments. The cleansers are formulated without soaps, which dry the skin, and include BODY BAR, a non-soap cleansing bar. Nu Skin's moisturizers contain light but effective humectants and emollients. Body care special treatments include DERMATIC EFFECTS, a body contouring lotion containing extracts of hibiscus and malvaceae that has been clinically demonstrated to aid in preventing the appearance of cellulite and aging skin, and MHA REVITALIZING BODY LOTION, which combines multiple hydroxy acids. Other products in this line include BODY SMOOTHER, a moisturizing lotion, and BODY CLEANSING GEL.

Hair Care. Nu Skin is introducing a new and improved hair care product line in 2001. New styling products were introduced at the Company's global convention and a new shampoo and conditioner line will be introduced in the next couple of months. Each hair care product is enriched with NUTRICENTIALS -- potent nutrients and environmental protectants designed to enhance the appearance of the hair and to meet the needs of people with all types of hair and hair problems. The new hair care line consists of 13 shampoos, conditioners and styling products that utilize ingredients such as sunflower seed extracts, CEREGEN, an innovative wheat-based complex of conditioning molecules designed to enhance hair repair, and Quinoa, a protein staple. Nu Skin also offers a hair care line, KANURE, specifically designed and formulated for the Brazilian market to address the natural properties of dry and curly hair.

EPOCH Ethnobotanicals. Epoch is a line of ethnobotanical personal care products created in cooperation with well-known ethnobotanists. These products unite natural compounds used by indigenous cultures with advanced scientific ingredients. Examples of products in this line include: GLACIAL MARINE MUD, a revitalizing clay mask containing beneficial sea botanicals, FIREWALKER FOOT CREAM, created specifically to soothe and rejuvenate tired, aching feet; and EPOCH ANTISEPTIC HAND SANITIZER, a product containing lavender that disinfects hands. In 2001, this line was expanded to include ICEDANCER, a soothing gel that utilizes natural wild mint to help soothe aching legs, and RARE EARTHS MINERAL INFUSIONS, mineral and other natural infusions designed to enhance NU SKIN's GLACIAL MARINE MUD.

Color Cosmetics. Nu Skin's color cosmetics line, Nu Colour, consists of 13 talc-free products with over 150 SKU's including eye shadow, lipliner, lipsticks, mascara, blush and finishing powder, foundations and concealers.

Specialty Products. Nu Skin has licensed the right to sell NUTRIOL products in its direct selling channel. The NUTRIOL product line is manufactured in Europe and consists of two hair care products that incorporate mucopolysaccharide, a proprietary ingredient. NUTRIOL products are designed to replenish hair with vital minerals and elements. Nu Skin also has an exclusive license to offer for sale in the direct selling channel a line of oral health care products under the trademark AP-24. AP-24 incorporates anti-plaque technology designed to help prevent plaque build-up 24 hours a day. The product line includes toothpaste, mouthwash and floss. In addition, Nu Skin offers fragrances, sun protection products and a line of sports care personal products.

Nu Skin Product Development. From the inception of the Company, Nu Skin's product philosophy has been: "All of the Good and None of the Bad." Nu Skin products are formulated to feature only quality, nurturing ingredients and to avoid shortcuts with unnecessary or unfriendly fillers. Nu Skin is also committed to continuously improving its evolving personal care product formulations to incorporate innovative and proven ingredients into its product line. Recent examples of Nu Skin's product development include the Nu Skin 180(0) ANTI-AGING SKIN THERAPY system, one of the first products to utilize elevated levels of alpha and beta hydroxy acids for topical application, and TRU FACE LINE CORRECTOR, an innovative product that incorporates pro-collagen peptides to help soften medium to deep lines around the mouth, eyes and forehead.

For product development support in personal care, Nu Skin relies on an advisory board comprised of recognized authorities in various disciplines. Nu Skin also has entered into an agreement with Stanford University Medical Center's Department of Dermatology for directed research and clinical trials of Nu Skin products or materials at the Nu Skin Center for Dermatological Research at Stanford University's School of Medicine. Nu Skin also utilizes its strategic relationships with vendors for access to directed research and development work.

Nu Skin Sourcing and Production. In order to maintain high product quality, Nu Skin acquires its ingredients and products from reliable and reputable suppliers that Nu Skin considers to be superior sources of such ingredients and products. For approximately eight years, Nu Skin has acquired ingredients and products from a supplier that currently manufactures approximately 50% of its personal care products. Nu Skin also has ongoing relationships with secondary and tertiary suppliers who supply the remaining products and ingredients. Nu Skin believes that in the event it is unable to source any products or ingredients from its major supplier it could produce or replace such products or substitute ingredients without great difficulty or significant increases in the cost of goods sold from its other secondary and tertiary suppliers.

Pharmanex

Overview. Pharmanex currently offers over 70 nutritional products. Pharmanex management believes that the nutritional supplement market is expanding globally because of changing dietary patterns, an increasingly health-conscious population and a growing amount of scientific evidence supporting the benefits of using vitamin and natural self-care products and supplements. Pharmanex also believes that its scientifically-substantiated nutritional supplements are particularly well-suited to network marketing because the average consumer is often uneducated or confused about nutritional supplements, particularly the importance of scientific substantiation. The direct selling channel can be a more effective method than traditional retailing channels to educate consumers about the benefits of nutritional supplements and to differentiate the quality and benefits of its products from those offered by competitors.

Pharmanex Products. Pharmanex's nutritional supplements currently include the LIFEPAK line of multivitamin, mineral and phytonutrient supplements and a line of self-care nutritional supplements. Pharmanex also offers nutritional products in the following lines: PHARMANEX BODY DESIGN weight management system and sports and fitness products, nutritious beverages and specialty products. Pharmanex has designed its nutritional products to promote healthy, active lifestyles and general well-being when used in conjunction with proper diet and exercise.

The following is a brief description of each of the nutritional product lines within the Pharmanex division:

Multivitamin/Mineral Supplements. This product line consists of various vitamin, mineral and antioxidant supplements, including LIFEPAK. The LIFEPAK family of products, the core Pharmanex nutritional supplement, is designed to provide a beneficial mix of nutrients including vitamins, minerals, antioxidants and phytonutrients, which are nutrient extracts from plants. The introduction of LIFEPAK in the United States in 1992 and Japan in 1995 resulted in a significant increase in the Company's revenue. Management believes, based on publicly available data, that LIFEPAK constitutes one of the leading selling multi-vitamin and mineral suppements in the world. Sales of LIFEPAK accounted for approximately 17% of the Company's total revenue in 2000. Pharmanex currently sells LIFEPAK in 14 markets, including the United States, Japan and Taiwan. Pharmanex offers LIFEPAK in different formulations to meet the unique needs of adults generally, women, seniors, teenagers, children and pregnant women.

Self-Care Nutritional Supplements. Pharmanex currently offers a line of self-care natural nutritional supplements which are nutritional products designed to meet the personalized needs of the user in the following areas:

* Energy/Stamina
* Heart Health
* Antioxidant Protection

* Relaxation
* Immune System Support
* Women's Health
* Special Needs

These self-care dietary supplements are designed to provide consumers with a specific, consistent level of the desired dosage of the important components of the supplement. In addition, Pharmanex implements quality control processes designed to enhance its ability to keep products free from contaminants.

The principal products in this line include CHOLESTIN, CORDYMAX CS-4, TEGREEN 97, BIOGINGKO 27/7 and BIO ST. JOHN'S. CHOLESTIN is a nutritional supplement derived from the fermentation of a strain of red yeast on rice substrate. A double-blind, placebo-controlled study conducted at the UCLA Center for Human Nutrition and published in the February 1999 issue of the American Journal of Clinical Nutrition demonstrated the effectiveness of CHOLESTIN in helping to promote healthy cholesterol levels already within the normal range. CORDYMAX CS-4 is a nutritional supplement designed to help reduce fatigue. Several clinical trials demonstrated that CORDYMAX CS-4 can help reduce fatigue. CORDYMAX CS-4 is offered as a stand-alone product and in a combination product with ST. JOHN'S WORT, a positive mood enhancer, distributed under the trademark BIO ST. JOHN'S. In addition, Pharmanex offers BIOGINKGO 27/7, a ginkgo biloba extract from a patented process that promotes blood circulation to the brain, arms and legs, and TEGREEN 97, a supplement that contains a concentrated level of decaffeinated green tea polyphenols, potent antioxidants found in green tea.

Pharmanex recently broadened its Pharmanex self-care line of products in order to provide simple solutions to complex health issues. This line of products includes: PROSTATE FORMULA, a product utilizing standardized saw palmetto extract, Pharmanex's proprietary TEGREEN 97 product and other powerful antioxidants; ENERGY FORMULA, a product combining three complementary ingredients, including standardized Rhodiola, in order to offer rapid results without the use of harmful stimulants; CARDIO FORMULA, a product utilizing a comprehensive and convenient formula to combine five benefits in one easy-to-take formula in order to promote good circulatory health, prevent free radical induced damage on LDL cholesterol and other aspects necessary to maintain a good cardiovascular system; and IMMUNE FORMULA, a product combining standardized echinacea, goldenseal and Vitamin C, as well as beta-sitosterol and Arabinogalactin AG.

Nutritious Beverages. As part of its mission to promote a healthy lifestyle and long-term wellness, Pharmanex's Nutri-Foods product line includes two nutritional drinks, SPLASH C with aloe vera, a healthy beverage providing significant amounts of Vitamins C and E as well as calcium in each serving, and APPEAL, a drink providing carbohydrates, proteins, chelated minerals, vitamins and fiber for energy.

Pharmanex Body Design. PHARMANEX BODY DESIGN was created by Pharmanex to capitalize on the weight management and sports fitness markets as well as to create a presence in the rapidly growing vanity market. The PHARMANEX BODY DESIGN system, when combined with regular exercise, is one of the few systems that has been clinically proven to reduce weight without the use of the stimulant ephedrine. PHARMANEX BODY DESIGN consists of the following four product lines:

* Nutrition Series: This line of products is intended to help consumers build a better body. Products in this line include PHARMANEX BODY DESIGN meal replacement high protein shakes, bars and soups.

* Lean Series: This line of products is designed for persons trying to lose weight. Products in this line include: CRAVE EASE, a product that utilizes a proprietary blend of ingredients including Glucosol to help diminish cravings for carbohydrates; fiber supplements marketed under the name FIBRENET; METABOTRIM, a supplement designed to assist the body's metabolism of food for maximum energy conversion; and DIENE-O-LEAN, a product containing conjugated linoleic acid, which was shown in a recent study to significantly reduce body fat mass in a 12-week period.

* Workout Series: This product line is designed for those who want to maximize their fitness levels and includes products such as OVERDRIVE, a sports supplement that features antioxidants, B vitamins and chromium chelate,

CREATINE BLAST, which increases the availability of usable energy in the muscle, and PHARMANEX HIGH FIVE which provides nutritional support for post-exercise muscle recovery.

* Image Series: The Image Series products are specially formulated for both men and women to provide nutrition that promotes outward beauty from within. These products include HAIR FORMULA, designed to promote and maintain healthy hair and VEIN FORMULA, designed to promote circulatory and leg vein health.

Specialty Products. Pharmanex also offers a high-performance home water filtration system in certain of its Asian markets including Japan and Taiwan. The FOUNTAIN FRESH filtration system was designed by and is being manufactured exclusively for the Company by CUNO Incorporated, a worldwide manufacturer of home and industrial filtration systems.

Pharmanex Product Development. Pharmanex is committed to providing high quality, standardized and substantiated nutritional supplements. This philosophy has led to Pharmanex's commitment to avoid stimulants and any ingredients that are reported to have any long-term addictive or harmful effects, even if the short-term effects may be desirable. Pharmanex believes that it is one of the few nutritional supplement companies in the United States that has a research and development program modeled after the pharmaceutical industry. Pharmanex believes that this research and development capability provides it with an important competitive advantage in the industry. Moreover, because a substantial portion of Pharmanex's research and development activities are conducted in the Peoples' Republic of China (the "PRC"), it believes that it is able to conduct quality research and development work as well as initial clinical trials in higher numbers due to the significantly lower cost than would be incurred if Pharmanex conducted comparable work in the United States.

Pharmanex utilizes its "6S Quality Process" in its development activities, which is designed to provide a precise, standardized, recommended dosage of each beneficial natural ingredient in every capsule. The 6S Quality Process generally involves the following steps:

* Selection. Conducting a scientific review of research and databases in connection with the selection of potential products and ingredients, and determining the authenticity, usefulness and safety standards for such potential products and ingredients.

* Sourcing. Investigating potential sources, evaluating the quality of such sources and performing botanical and chemical evaluations where appropriate.

* Structure. Determining the structural profile of natural compounds and active ingredients.

* Standardization. Standardizing the product to at least one biologically relevant active ingredient.

* Safety. Assessing safety from available research, and, where necessary, performing additional tests such as microbial tests and chemical analyses for toxins and heavy metals.

* Substantiation. Reviewing documented pre-clinical and clinical trials, and, where necessary and appropriate, initiating studies and clinical trials sponsored by Pharmanex.

Pharmanex employs approximately 50 scientists at its dedicated research and development center in Shanghai, the PRC, and at its Provo, Utah and San Francisco, California offices. Pharmanex is in the process of consolidating its U.S. based facilities in Provo, Utah. Pharmanex also has working relationships with 150 other independent scientists including an advisory board comprised of recognized authorities in various related disciplines. In addition, Pharmanex evaluates a significant number of product ideas presented to it by distributors and other outside sources. Pharmanex has established collaborative agreements with three prominent universities and research institutions in the PRC: Shanghai Medical University, Beijing Medical University and the Institute of Materia Medica. The staffs of these institutions include scientists with expertise in natural product chemistry, biochemistry, pharmacology and clinical studies. Pharmanex's research and development center in Shanghai coordinates and validates Pharmanex's collaborative efforts with these institutions. Pharmanex also currently has collaborative research and clinical study programs with several major university research centers in the United States, including UCLA, the Rippe Center for Clinical Lifestyle Research, Columbia University, the University of Kansas, and internationally with the University of Hong Kong School of Medicine. The Company's research and development expenditures have increased substantially following the acquisition of Pharmanex, but still do not represent a material portion of the Company's selling, general and administrative expenses on a consolidated basis.

Pharmanex Sourcing and Production. Substantially all of Pharmanex's nutritional supplements and ingredients, including LIFEPAK, are produced or provided by third-party suppliers that Pharmanex considers to be among the best suppliers of such products and/or ingredients. Pharmanex currently relies on two unaffiliated suppliers for approximately 50% of its nutritional supplements. Pharmanex believes that, in the event it were unable to source any products or ingredients from these suppliers or its other current suppliers other than as described below, it could produce or replace such products or substitute ingredients without great difficulty or significant increases in the cost of goods sold. Pharmanex also maintains an extraction and processing facility located in Huzhou, Zhejiang Province, in the PRC, where it currently produces the extracts for BIOGINKGO 27/7 and TEGREEN 97 products.

Pharmanex has contract cultivation areas in the PRC. Because some of Pharmanex's natural and botanical products such as BIO ST. JOHN'S and BIOGINKGO 27/7 come from crops that can only be harvested once a year, problems with such crops could limit Pharmanex's ability to produce such products. In addition, because these products can only be produced once a year, Pharmanex must rely on the accuracy of its estimates of product requirements in sourcing these products. If Pharmanex underestimates its product requirements, it may not be able to re-stock such product until the next growing season.

Big Planet

Overview. Big Planet's core strategy is to position itself on the leading edge of the latest technology trends surrounding the Internet revolution while utilizing the power of network marketing to introduce consumers to technology products designed to simplify and enhance their lives. The Company believes that technology, Internet and telecommunications products are highly compatible with its distribution system and that Big Planet provides a compelling business opportunity for technology-oriented entrepreneurs desiring to participate in the Internet revolution. Big Planet leverages the direct selling expertise of the Company's distributor force to provide high levels of service to its customers in a product area that is often confusing to consumers. Big Planet trains its distributors to educate consumers as needed to help them understand and take advantage of the latest technology products.

Big Planet's business model is based on a three-pronged strategy:

* Introducing convenient and simple-to-use devices to access the Internet and other communications channels.

* Connecting customers to communications channels through its world-class Internet service, unified messaging products, enhanced telecommunications products and other technology-related services; and

* Offering a destination, or Internet community, and merchant affiliations for its customers once they are online where they can conveniently shop and gain access to other services and information.

Big Planet Products. Big Planet's product offering is structured around its three-pronged objective of providing devices, connections and destinations. Big Planet has invested significantly in local infrastructure for its Internet and operation support facilities for hosting web pages and providing e-mail services. Big Planet also has entered into contractual relationships with several industry-leading technology companies, including Qwest Communications, SkyTel, Oracle, Cisco Systems, IBM, I-Link and other key vendors, to provide convenient and reliable technology, Internet and telecommunications products and services. Big Planet's distributors receive commissions based on Big Planet's gross margin on each sale of products or services, including monthly recurring service charges, or based on the commission received by Big Planet with respect to products sold directly by third-party vendors to Big Planet's customers.

Devices. Big Planet currently offers a selection of simple Internet appliances to connect people to the Internet channel, including the IPHONE and the NEW INTERNET COMPUTER (NIC). The IPHONE is a technologically-advanced telephone that provides simple and convenient Internet access via a touch screen and pull-out keyboard and supports hypertext markup language ("HTML"). As an affordable alternative to the personal computer, the NIC, developed by Oracle and distributed by Big Planet, includes a keyboard, mouse, speakers, and an optional 15" SVGA monitor for getting online easily. Supporting popular plug-ins like Real Player, Java and Macromedia Flash Player, the NIC is just as Internet-capable as the traditional desktop computer.

Connections. Through the various devices offered by Big Planet, consumers can readily access Big Planet's wide range of connections, including Internet service, unified messaging, telecommunications products and other technology-related services.

Big Planet provides dial-up Internet access to its customers through a variety of separate access plans to cover the needs of a broad demographic group of consumers. Big Planet outsources Internet access through a nationwide backbone network of more than 6,500 local dial-up access sites, or "POPS," in cities throughout the United States. Big Planet currently has approximately 45,000 Internet service customers. The Internet service includes easy-to-use, reliable and competitively priced Internet access, electronic mail and content filtration for distributors and customers. In addition, Big Planet offers broadband Internet service for an always-on connection to the Internet. The service allows for connections up to 50 times faster than a conventional dial-up modem while enabling the user to perform advanced functions like Web hosting, video conferencing, video streaming, virtual private networking and e-commerce. Big Planet also provides a powerful, yet easy-to-use tool for creating and maintaining sophisticated Web sites with optional e-commerce capabilities, which is designed for small businesses, including Big Planet representatives.

Big Planet currently offers domestic and international long distance, paging products and services and personal 800 numbers. Big Planet offers both residential and business long distance services through its relationship with Qwest Communications and Netronix. Big Planet also offers enhanced communications through I-Link's "V-Link" product, which provides enhanced communications capabilities to customers including unified messaging of voicemail, e-mail and fax, and "find-me, follow me" features that allow a single phone call to ring to various different telephone devices such as cell, office and home. Big Planet has also entered into agreements to offer wireless telecommunications services through Encore Telecommunications, utilizing the Sprint PCS network. Big Planet also has a business relationship with SkyTel, which allows Big Planet to sell SkyTel's prepaid paging products, including SkyTel's Beepwear pager watch.

Destination and Merchant Affiliations. The Big Planet online mall at bpstore.com provides an online shopping environment to Big Planet distributors and their customers. The Big Planet Mall was initially opened in September 1998 and currently offers access to a wide selection of products and services from numerous different vendors in addition to Nu Skin and Pharmanex products. Big Planet has entered into agreements that link the Big Planet Mall to Web sites of over 200 online retailers such as OnlineOfficeSupplies.com, Dell, Borders.com, Outpost.com, Walmart.com and OfficeMax. Distributors earn commissions on purchases by their customers through the online mall and these affiliate sites. The Big Planet portal, my.bigplanet.com, completes the Internet community that Big Planet provides, offering customers various sources of information such as weather forecasts, stock quotes and other services.

Through an exclusive relationship with Planet Electric, an innovative company that develops technologically advanced battery systems, Big Planet provides environmentally friendly and efficient battery systems for cell phones and electric bicycles. The solar battery for wireless phones increases talk-time to more than 20 hours. Fully rechargeable, the lithium ion battery, developed by Planet Electric, features a vibrating call alert and unlimited standby time when the product is exposed to direct sunlight.

The E-Bike, developed by Lee Iacocca's company, EV Global Motor Company, is an advanced new bicycle that incorporates a power-on-demand battery system for unassisted speeds up to 15 miles per hour, lightweight design and quick charging. Planet Electric plans to continue creating products using Planet Electric's patented battery technology for distribution by Big Planet.

Big Planet Product Development. Big Planet continues to identify and secure contractual relationships with various vendors and suppliers that will enable Big Planet to sell competitively-priced technology, Internet and telecommunications products and services through its distribution channel. In addition, Big Planet is committed to identifying and securing contractual relationships with various vendors and suppliers for a wide selection of products for sale through its online mall.

Big Planet Sourcing and Production. Big Planet has contractual relationships with leading technology companies such as Cisco Systems, Ikano, EMC Corporation and Sun Microsystems, which provide support for its ISP business. Except for its Web hosting and Big Planet Mall, substantially all of the services and products offered by Big Planet are contracted or sourced from unaffiliated third parties pursuant to contractual arrangements. For example, Big Planet has contracted with Qwest Communications to provide long distance phone services and Encore Telecommunications, LLC to provide wireless communications through the Sprint PCS network. By acting on an agency basis for these services, Big Planet is able to avoid the large capital deployment and investment that would be required to build the infrastructure necessary to provide such services. However, Big Planet's profit margins and its ability to deliver quality service at competitive prices depend upon its ability to negotiate and maintain favorable terms with such third-party providers.

Regional Profiles

For information on revenue for each of the geographic regions in which the Company operated for the years ended December 31, 1998, 1999 and 2000, reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 19 to the consolidated financial statements contained in the 2000 Annual Report to Stockholders and incorporated herein by reference.

North Asia. The North Asia region currently consists of the Company's markets in Japan and South Korea. Japan is the Company's largest market with approximately $554 million in revenue in 2000. According to the World Federation of Direct Selling Associations, the direct selling channel in Japan generated sales of approximately $31 billion of goods and services in 1999, making Japan the largest direct selling market in the world. As of December 31, 2000, virtually all of Nu Skin's personal care products and nearly one-third of Pharmanex's nutritional supplements, including LifePak, the Company's leading multi-vitamin and mineral supplement, were available in the Japanese market. In February 2000, the Company's introduced Pharmanex as a separate business opportunity in Japan. In addition, Big Planet branded dial-up Internet access is available to customers in Japan through the @nifty Internet service provided by Nifty Corporation, one of the largest Internet service providers in Japan. Under this arrangement, distributors receive commissions for each monthly subscription fee paid by a customer that signs up for the "Big Planet powered by @nifty" account. Nu Skin currently offers the majority of its personal care products and Pharmanex currently offers approximately 20% of its nutritional supplements in South Korea. The Company introduced the Pharmanex business opportunity into South Korea in January 2000.

Southeast Asia. The Company's Southeast Asia region currently consists of the markets in Taiwan, Hong Kong, Singapore, Thailand, the Philippines, New Zealand, Australia and a small retail operation in the People's Republic of China (the "PRC"). This region has been significantly affected by the Asian economic recession, which has severely curtailed consumer spending. Taiwan is the largest market in this region with revenue of $83 million in 2000. Nu Skin Taiwan is one of the largest direct selling companies in Taiwan. According to the World Federation of Direct Selling Associations, the direct selling channel in Taiwan generated approximately $1 billion in sales of goods and services in 1999. Management believes that the direct selling industry in Taiwan contracted in recent years due in part to the economic recession in the region and the PRC's ban on direct selling where many Taiwanese distributors had hoped to expand their businesses. Approximately

2.8 million people, which is about 10% of the population of Taiwan, are estimated to participate in direct selling. Taiwan's government strictly regulates direct selling activities. For example, Taiwan's government has enacted tax legislation aimed to ensure proper tax payments by distributors on product sales to consumers. As of December 31, 2000, Nu Skin offered most of its personal care products and Pharmanex offered approximately one-half of its nutritional products in Taiwan. Big Planet currently offers Internet service in Taiwan through a third-party provider. In 2000, the Southeast Asia market was further expanded with the opening of operations in Singapore in December 2000.

At the end of 1999 and throughout 2000, the Company opened 15 retail branch outlets in the PRC. Because direct sales activities that use non-employees are currently restricted in the PRC, Nu Skin has established the retail presence as part of the Company's development plans for the PRC. The Company plans to introduce its global distribution plan into the PRC at such time as the restrictions on direct selling are lifted. The PRC previously announced it would lift such restrictions upon admissions to the World Trade Organization, currently expected in 2003.

North America. The North America region consists of the Company's markets in the United States and Canada. According to the World Federation of Direct Selling Associations, the direct selling channel in the United States generated sales of approximately $25 billion of goods and services in 1999, making the United States the second largest direct selling market in the world. In 2000, the Company generated approximately $149 million in revenue in the United States. Substantially all of Nu Skin's personal care products and Pharmanex's nutritional supplements and all of Big Planet's products and services are available in the United States.

Other Markets. The Other Markets region currently consists of the markets in Europe, Central America and Brazil. The European markets first opened in 1995 with the opening of the United Kingdom, Belgium, the Netherlands, France and Germany. Since that initial opening, an additional ten markets have been opened in Europe. The majority of Nu Skin's personal care products are sold in Europe. Pharmanex also has introduced several of its products into a limited number of the European markets. Big Planet currently does not offer any products in the European market. In November 1999, the Company opened the Brazilian market, which is the Company's first market in South America. According to the World Federation of Direct Selling Associations, the direct selling channel in Brazil generated sales of approximately $3 billion of goods and services in 1998 (prior to the recent currency devaluation), making Brazil the third largest direct selling market in the world. Approximately 25% of Nu Skin's personal care products have been introduced in Brazil, along with 15 locally produced products. Neither Big Planet nor Pharmanex has introduced any of its products in Brazil.

Distribution System

Overview of Distribution System. The foundation of the Company's sales philosophy and distribution system is network marketing. Distributors purchase products for resale to consumers and for personal consumption. Pursuant to the Company's Global Compensation Plan, the Company currently sells products exclusively through independent distributors who are not the Company's employees. Because of the nature of Big Planet's products and services, Big Planet distributors do not buy products for resale but act as independent sales representatives of Big Planet and receive a commission on sales through the Big Planet Mall or for the other services offered by Big Planet or its service providers directly to the customers. Big Planet does not pay commissions on the wholesale price but on the gross margins from sales of services and products.

The Company's network marketing program differs from many other network marketing programs in several respects.

* The Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies and can result in commissions to distributors aggregating up to 58% of a personal care or nutritional product's wholesale price. On a global basis, commissions have averaged approximately 39 to 42% of revenue from commissionable sales over the last eight years.

* The Company was among the first to allow distributors to be compensated for product sales of downline-sponsored distributors around the world, and the Company believes it was the first major network marketing company to allow distributors to be fully compensated for product sales of downline-sponsored distributors globally across all operating divisions.

* The Company's order and fulfillment systems eliminate the need for distributors to carry significant levels of inventory.

Network marketing is an effective vehicle to distribute the Company's products because:

* Consumers can learn about products in person from distributors, which the Company believes is more effective for premium-quality products than using television and print advertisements;

* Direct sales allow for actual product testing by potential customers;

* There is greater opportunity for distributor and customer testimonials; and

* As compared to other distribution methods, distributors can give customers higher levels of service and attention by, among other things, following up on sales to ensure proper product usage and customer satisfaction and to encourage repeat purchases.

Direct selling as a distribution channel has been enhanced in the past decade by advancements in communications, including telecommunications and Internet connectivity, and the proliferation of the use of videos and other electronic devices. For this reason, the Company maintains an in-house staff of creative and video production personnel for timely and cost-effective production of sales materials.

The Company's revenue depends directly upon the number and productivity of its distributors. Growth in sales volume requires an increase in the productivity of distributors and/or growth in the total number of distributors. Over the last year, the Company has experienced a decline in the number of its distributors. The Company cannot assure stockholders that the productivity or number of distributors will be sustained at current levels or increased in the future. Furthermore, the Company estimates that, as of December 31, 2000, approximately 300 distributorships worldwide maintained Hawaiian Blue Diamond or Blue Diamond executive distributor levels, which are the Company's two highest executive distributor levels, and, together with their extensive downline networks, account for substantially all of the Company's revenue. Consequently, the loss of a high-level distributor, together with a group of leading distributors in such distributor's downline network, or the loss of a significant number of distributors for any reason, could harm the Company's business.

Sponsoring. The Company relies on its distributors to sponsor new distributors. While the Company provides, at cost, product samples, brochures, magazines and other sales materials, distributors are primarily responsible for educating new distributors with respect to products, the Global Compensation Plan and how to build a successful distributorship.

The sponsoring of new distributors creates multiple levels in the network marketing structure. Persons that a distributor sponsors are referred to as "downline" or "sponsored" distributors. If downline distributors also sponsor new distributors, they create additional levels in the structure, but their downline distributors remain in the same downline network as their original sponsoring distributor.

Sponsoring activities are not required of distributors. However, because of the financial incentives provided to those who succeed in building a distributor network that consumes and resells products, the Company believes that most of its distributors attempt, with varying degrees of effort and success, to sponsor additional distributors. Generally, distributors invite acquaintances to sales meetings in which they present the Company's products and explain the Global Compensation Plan. People are often attracted to become distributors after using the Company's products and becoming regular customers. Once a person becomes a distributor, he or she is able to purchase products directly from the Company at wholesale prices. The distributor is also entitled to sponsor other distributors in order to build a network of distributors and product users.

A potential distributor must enter into a standard distributor agreement which obligates the distributor to abide by the Company's policies and procedures. Additionally, in most countries except Japan, a new distributor is required to enter into a product purchase agreement with the Company's local subsidiary, which governs product purchases. In some markets, the Company requires distributors to purchase a starter kit, which includes the Company's policies and procedures, for the approximate cost of producing the starter kit.

Global Compensation Plan. The Company believes that one of its key competitive advantages is the Company's Global Compensation Plan. Distributors receive higher levels of commissions as they advance under the Global Compensation Plan. The Global Compensation Plan is seamlessly integrated across all markets in which distributors sell products, allowing distributors to receive commissions for global product sales, rather than merely local product sales. The Company has also enhanced the Global Compensation Plan to allow distributors to develop a seamless global network of downline distributors across any or all of the product divisions. Management believes the Company was the first major network marketing company to allow distributors to be fully compensated for global sales of downline-sponsored distributors across separately-branded product divisions.

The Company's distributors benefit significantly from receiving commissions at the same rate for sales in foreign countries as for sales in their respective home countries and across product divisions. In addition, distributors are not required to establish new distributorships or requalify for higher levels of commissions within each new country in which they begin to operate, which is frequently the case under the compensation plans of many of the Company's competitors. Under the Global Compensation Plan, distributors are paid consolidated monthly commissions in the distributor's home country, in local currency, for product sales in that distributor's global downline distributor network across all product divisions.

High Level of Distributor Incentives. Based upon management's knowledge of competitors' distributor compensation plans, management believes that the Global Compensation Plan is among the most financially rewarding plans offered to distributors by network marketing companies. Currently, there are two fundamental ways in which distributors can earn money:

* Through retail markups on Nu Skin and Pharmanex products purchased by distributors at wholesale, and

* Through a series of commissions on product sales.

Commissions on personal care and nutritional products can result in commissions aggregating up to 58% of a product's wholesale price. On a global basis, commissions have averaged approximately 39 to 42% of revenue from commissionable sales over the last eight years.

Big Planet pays commissions on the gross margins from sales of products and services. If products and services are purchased directly by distributors or customers from third parties which have contractual relationships with Big Planet, the commission is based on the total commission Big Planet receives from such third party with respect to such sales.

Each of the Company's products carries a specified number of sales volume points. Commissions are based on total personal and group sales volume points per month. Sales volume points are essentially based upon a product's wholesale cost, net of any point-of-sale taxes. As a distributor's retail business expands and as he or she successfully sponsors other distributors into the business who in turn expand their own businesses, he or she receives a higher percentage of commissions.

Once a distributor becomes an executive-level distributor, the distributor can begin to take full advantage of the benefits of commission payments on personal and group sales volume. To achieve executive status, a distributor must achieve specified personal and group sales volumes for a required period of time. To maintain executive status, a distributor must generally also maintain specified personal and group sales volumes. An executive's commissions can increase substantially as downline distributors achieve executive status. In determining commissions, the number of levels of downline distributors included in an executive's group increases as the number of executive distributorships directly below the executive increases.

On a monthly basis, the Company evaluates distributor requests for exceptions to the terms and conditions of the Global Compensation Plan. While the general policy is to discourage exceptions, the Company believes that the flexibility to grant such exceptions is critical in retaining distributor loyalty and dedication. In each market, distributor services personnel evaluate each such instance and make appropriate recommendations to the Company.

As of the end of each of the years indicated below, the Company had the following number of executive distributors:

Region	1996	1997	1998	1999	2000
North Asia	14,844	16,654	17,311	14,601	14,968
Southeast Asia	6,199	5,642	5,091	3,419	3,044
North America	-	-	-	2,547	2,632
Other Markets	436	393	379	438	737
Total	21,479	22,689	22,781	21,005	21,381

Distributor Support. The Company is committed to providing high-level support services tailored to the needs of its distributors in each market. The Company attempts to meet the needs and build the loyalty of distributors by providing personalized distributor services, a support staff that assists distributors as they build networks of downline distributors and a liberal product return policy. Because many distributors have only a limited number of hours each week to concentrate on their business, the Company believes that maximizing a distributor's efforts by providing effective distributor support has been and will continue to be important to the Company's success.

Through training meetings, annual conventions, distributor focus groups, regular telephone conference calls and other personal contacts with distributors, the Company seeks to understand and satisfy the needs of its distributors. The Company provides walk-in, telephonic and computerized product fulfillment and tracking services that result in user-friendly, timely product distribution. Several walk-in centers maintain meeting rooms which distributors may utilize in training and sponsoring activities. In addition, the Company is committed to evaluating new ideas in technology and services that it can provide to distributors, such as automatic product reordering. The Company currently utilizes voicemail, teleconferencing, fax and Internet services to provide Company and product information and ordering and to handle group and personal sales volume inquiries.

Technology and Internet Initiatives. The Company believes that the Internet has become an increasingly important business factor as more and more consumers purchase products over the Internet as opposed to traditional retail and direct sales channels. As a result, the Company has committed significant resources to enhancing its e-commerce capabilities and the abilities of its distributors to take advantage of the Internet. In Japan, the Company's largest market, the Company set up an Internet order process in 1999. Since the introduction of the service in September 1999, more than 60,000 Japanese distributors have registered to use such service and more than 20% of all sales in Japan occur over the Internet. The Company maintains web sites in each of its major markets. In order to enhance its Internet and e-commerce capabilities and to allow distributors and retail customers to purchase products from all divisions in a single shopping experience, the Company began a new e-commerce project in the fall of 2000 for each of its divisions. The first step in this project was the launch of new, enhanced divisional web sites in the United States in the first quarter of 2001, which are built on BroadVision's one-to-one Enterprise E-Business Application platform. The next steps of the project include revamping the Japan web site and adding further functionality in the United States.

In 2000, the Company's Pharmanex division introduced an e-commerce initiative in the United States and Japan. This initiative allows distributors to acquire a personalized Pharmanex web site, which provides distributors the ability to channel customers to the personalized web site to gather information on Pharmanex products and to purchase products. In Japan, over 20,000 personalized web sites have been purchased by distributors. Nu Skin plans to launch a similar initiative in 2001.

Rules Affecting Distributors. The Company's standard distributor agreement, policies and procedures and compensation plan contained in every starter and/or introductory kit outline the scope of permissible distributor marketing activities. The distributor rules and guidelines are designed to provide distributors with maximum flexibility and opportunity within the bounds of governmental regulations regarding network marketing and prudent business policies and procedures. Distributors are independent contractors and are expressly prohibited from representing themselves as agents or employees. The Company requires distributors to present products and business opportunities ethically and professionally. Distributors further agree that their presentations to customers must be consistent with, and limited to, the product claims and representations made in literature distributed by the Company. Under most regulations governing nutritional supplements, no medical claims may be made regarding the products, nor may distributors prescribe any particular product as suitable for any specific ailment. Even though sponsoring activities can be conducted in many countries, distributors may not conduct marketing activities outside of countries in which the Company currently conducts business and further may not export for sale products from one country to another.

Distributors must represent to the Company that their receipt of commissions is based on retail sales and substantial personal sales efforts. Exhibiting commission statements or checks is prohibited. The Company must produce or pre-approve all sales aids used by distributors such as videotapes, audiotapes, brochures, promotional clothing and other miscellaneous items.

Distributors may not use any form of media advertising to promote products. Products may be promoted only by personal contact or by literature produced or approved by the Company. Generic business opportunity advertisements, without using the Company's name, may be placed in accordance with required guidelines in some countries. The Company's logos and names may not be permanently displayed at any location. Distributors may not use the Company's trademarks or other intellectual property without the Company's consent.

Products generally may not be sold, and the Company's business opportunities may not be promoted, in traditional retail environments. Pharmanex has made an exception to this rule and has allowed its products to be sold in independently owned pharmacies and drug stores meeting specified requirements. Additionally, distributors may not sell at conventions, trade shows, flea markets, swap meets and similar events. Distributors who own or are employed by a service-related business such as a doctor's office, hair salon or health club, may make products available to regular customers as long as products are not displayed visibly to the general public in such a way as to attract the general public into the establishment to purchase products.

In order to qualify for commission bonuses, distributors must satisfy certain requirements that can vary between divisions. Some of these requirements include:

* Achieving at least 100 points, which is approximately $100, in personal sales volume,

* Documenting retail sales or customer connections to established levels of retail customers, and

* Selling and/or consuming at least 80% of personal sales volume.

The Company systematically reviews alleged reports of distributor misbehavior. If the Company determines that a distributor has violated any of the distributor policies or procedures, the Company may terminate the distributor's rights completely. Alternatively, the Company may impose sanctions such as warnings, probation, withdrawal or denial of an award, suspension of privileges of a distributorship, fines, withholding commissions until specified conditions are satisfied or other appropriate injunctive relief. A distributor may voluntarily terminate his/her distributorship at any time.

Payment. Distributors generally pay for products prior to shipment. Accordingly, the Company carries minimal accounts receivable. Distributors typically pay for products in cash, by wire transfer and by credit card.

Cash, which represents a significant portion of all payments, is received by order takers in the distribution centers when orders are personally picked up by a distributor.

Sales Aids. The Company provides an assortment of sales aids to facilitate the sales of its products. In dollar terms, the largest sales aid is the Company's starter kit which includes materials such as product brochures, training materials and order forms. Sales aids include videotapes, audiotapes, brochures, promotional clothing and other miscellaneous items to help create consumer awareness of the Company and its products. Sales aids are priced at the Company's approximate cost, and distributors do not receive commissions on purchases of sales aids.

Product Guarantees. The Company believes that it is among the most consumer-protective companies in the direct selling industry. For 30 days from the date of purchase, the Company's product return policy allows a retail purchaser to return any product to the distributor through whom the product was purchased for a full refund. After 30 days from the date of purchase, the return privilege is in the discretion of the distributor. Because distributors may return unused and resalable products to the Company for a refund of 90% of the purchase price for one year, they are encouraged to provide consumer refunds beyond 30 days. In addition, the Company's product return policy is an important tool used by distributors in developing a retail customer base. The Company's experience with actual product returns has averaged less than 5% of annual revenue through 2000. Because many of Big Planet's products and services are provided directly to consumers by third-party vendors, the same 30-day return privilege does not apply to products purchased by consumers from such vendors unless such vendors otherwise agree.

Competition

Nu Skin and Pharmanex Products. The markets for Nu Skin and Pharmanex products are large and intensely competitive. The Company competes directly with numerous companies that manufacture and market personal care and nutritional products in each of the Company's product categories and product lines. The Company competes with other companies in the personal care and nutritional products industry by emphasizing the innovation, value and premium-quality of its products and the convenience of the Company's distribution system. Many of the Company's competitors have much greater name recognition and financial resources than the Company. Moreover, large pharmaceutical companies are increasingly entering into the nutritional supplement market. In addition, personal care and nutritional products can be purchased in a wide variety of channels of distribution. While the Company believes that consumers appreciate the convenience of ordering products from home through a sales person or through a catalog, the buying habits of many consumers accustomed to purchasing products through traditional retail channels are difficult to change. The Company's product offerings in each product category are also relatively small compared to the wide variety of products offered by many other personal care and nutritional product companies. There cannot be any assurance that the Nu Skin's and Pharmanex's businesses and results of operations will not be harmed by market conditions and competition in the future.

Big Planet Products and Services. The markets for Big Planet's products and services are similarly large and intensely competitive. In addition, the Internet services and e-commerce markets are new and rapidly evolving. The Company expects the competition to intensify further in these markets in the future. Barriers to entry for e-commerce are relatively low as current and new competitors can launch new Web sites at relatively low costs. Big Planet's online shopping services also compete with other channels of distribution, including catalog sales and traditional retail sales. Many of Big Planet's competitors have much greater name recognition and financial resources than Big Planet. Many e-commerce companies have experienced financial difficulties over the past year as they struggle to demonstrate the ability to operate profitably under their existing business plans, that contemplate selling products at low or no margins to attract customers to the site. Big Planet may be at a disadvantage under these business models because it relies upon services and products provided by third parties and must rely on its ability to acquire quality and reliable services from vendors at prices that allow its distributors to sell services at competitive rates and still generate attractive commissions. Big Planet attempts to compete with other companies in this market through offering convenient access to a wide variety of technology, Internet and telecommunications services and products at competitive prices with a high level of customer service. There can be no assurance that Big Planet's business and results of operations will not be harmed by the intense competition in the technology, Internet and telecommunications market.

Network Marketing Companies. The Company also competes with other direct selling organizations, some of which have a longer operating history and higher visibility, name recognition and financial resources. The leading network marketing company in the Company's existing markets is Amway Corporation and its affiliates. The Company competes for new distributors on the strength of its multiple business opportunities, product offerings, Global Compensation Plan, management strength and appeal of the Company's international operations. The Company anticipates the entry of many more direct selling organizations into the marketplace as this distribution channel expands over the next several years and as existing competitors expand into new markets. In order to successfully compete in this market and attract and retain distributors, the Company must maintain the attractiveness of its business opportunities to its distributors. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition.

Intellectual Property

The Company's major trademarks are registered in the United States and in many other countries, and the Company considers its trademark protection to be very important to its business. The major trademarks include the following: Nu Skin, Pharmanex, Big Planet, "6S Quality Process"and LifePak. The Company generally registers its important trademarks in the United States and each market where the Company operates or has plans to operate. In addition, a number of the Company's products are based on proprietary technologies and formulations, some of which are patented. The Company relies on trade secret protection to protect its proprietary formulas and know-how.

Government Regulation

Direct Selling Activities. Direct selling activities are regulated by various federal, state and local governmental agencies in the United States and foreign countries. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid," "money games" or "chain sales" schemes, that promise quick rewards for little or no effort, require high entry costs, use high pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in the Company's current markets often:

* Impose cancellation/product return, inventory buy-backs and cooling-off rights for consumers and distributors;

* Require the Company or its distributors to register with governmental agencies;

* Impose reporting requirements; and/or

* Impose upon the Company requirements, such as requiring distributors to maintain levels of retail sales to qualify to receive commissions, to ensure that distributors are being compensated for sales of products and not for recruiting new distributors.

The extent and provisions of these laws, however, vary from country to country and can impose significant restrictions and limitations on the Company's business operations. For example, in South Korea, the Company cannot pay more than 35% of its revenue to its distributors in any given month. In Germany, the German Commercial Code prohibits using direct salespersons to promote multi-level marketing arrangements by making the inducement to purchase products for resale illegal. Accordingly, the Company, through its German subsidiary, sells products to consumers through a "commercial agent" rather than a distributor. As a result, in Germany the Company is subject to potential tax and social insurance liability as well as agency laws governing the termination of commercial agents. The European Commission is also currently monitoring the direct sales industry which could lead to European Union level regulation in the Company's markets in Europe.

Based on the Company's research conducted in opening existing markets, the nature and scope of inquiries from government regulatory authorities, and the Company's history of operations in such markets to date, the Company believes that its method of distribution is in compliance in all material respects with the laws and regulations relating to direct selling activities of the countries in which the Company currently operates. The PRC currently has laws in place that prohibit the Company from conducting business in such market using the Company's existing business model. The PRC recently announced its intention to lift this temporary ban in 2003. There can be no assurance, however, that the Company will be allowed to conduct business in new markets or continue to conduct business in each of its existing markets. See "Risk Factors - -- Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our sales and profitability to decline" for additional discussion of the regulatory environment for network marketing.

Regulation of Nu Skin and Pharmanex Products. Nu Skin's and Pharmanex's products and related promotional and marketing activities are subject to extensive governmental regulation by numerous domestic and foreign governmental agencies and authorities. These include the Food and Drug Administration (the "FDA"), the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission, and the United States Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies, and the Ministry of Health and Welfare in Japan.

The Company's markets have varied regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require the Company to, among other things:

* Reformulate products for a specific market to meet the specific product formulation laws of such country;

* Conform product labeling to the regulations in each country; and

* Register or qualify products with the applicable government authority or obtain necessary approvals or file necessary notifications for the marketing of such products.

For example, in Japan, the Ministry of Health and Welfare requires the Company to have an import business license and to register each personal care product imported into Japan. The Company must also reformulate many products to satisfy other Ministry of Health and Welfare regulations. In Taiwan, all "medicated" cosmetic and pharmaceutical products require registration. These regulations can limit the Company's ability to import products into the Company's markets and can delay introductions of new products into markets as the Company goes through the registration and approval process for such products. The sale of cosmetic products is regulated in the European Union member states under the European Union Cosmetics Directive, which requires a uniform application for foreign companies making personal care product sales.

Pharmanex's products are strictly regulated in the Company's markets. These markets have varied regulations that apply to and distinguish nutritional health supplements from "drugs" or "pharmaceutical products." For example, the Company's products are regulated by the FDA of the United States under the Federal Food, Drug and Cosmetic Act. The Federal Food, Drug and Cosmetic Act has been amended several times with respect to nutritional supplements, most recently by the Nutrition Labeling and Education Act and the Dietary Supplement Health and Education Act. The Dietary Supplement Health and Education Act establishes rules for determining whether a product is a dietary supplement. Under this statute, dietary supplements are regulated more like foods than drugs, are not subject to the food additive provisions of the law, and are generally not required to obtain regulatory approval prior to being introduced to the market. None of this infringes, however, upon the FDA's power to remove an unsafe substance from the market. In the event a product, or an ingredient in a product, is classified as a drug or pharmaceutical product in any market, the Company will generally not be able to distribute such product in such market through the Company's distribution channel because of strict restrictions applicable to drug and pharmaceutical products. For example, certain of Pharmanex's nutritional products, such as BioGingko 27/7 and St. Johns Wort, may not be marketed through the direct sales channel in Taiwan and certain European markets, such as Germany and Austria, and Ginseng cannot be marketed in Mexico.

Many of the Company's existing markets also regulate product claims and advertising. These laws regulate the types of claims and representations that can be made regarding the efficacy of products, particularly dietary supplements. Accordingly, these regulations can limit the ability of the Company and its distributors to inform consumers of the full benefits of the Company's products. This can make it difficult to adequately distinguish the Company's quality products from lower-price products of poor quality that do not offer the same level of benefits. In Japan, the Company and its distributors are severely restricted in making any claims concerning the health benefits of the Company's nutritional supplements. In the United States, the Company is unable to make any claim that any of the Company's nutritional supplements will diagnose, cure, mitigate, treat or prevent disease. The Dietary Supplement Health and Education Act, however, permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well being resulting from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining a structure or a function of the body. The FDA recently issued final regulations concerning these issues. One of the strategic purposes of the Company's acquisition of Pharmanex was to obtain additional resources to enhance the Company's ability to comply with these requirements in the Company's markets.

The FTC similarly requires that product claims be substantiated. In 1994, Nu Skin International, Inc., a current subsidiary of the Company ("Nu Skin International"), and three of its distributors entered into a consent decree with the FTC with respect to its investigation of product claims and distributor practices. As part of the settlement of this investigation, Nu Skin International paid approximately $1.0 million to the FTC. In August 1997, Nu Skin International reached a settlement with the FTC with respect to product claims and its compliance with the 1994 consent decree, pursuant to which settlement Nu Skin International paid $1.5 million to the FTC.

The Company and its vendors are also subject to laws and regulations governing the manufacturing of the Company's products. For example, in the United States the FDA regulations establish Good Manufacturing Practices for foods and drugs. The FDA has also proposed detailed Good Manufacturing Practices for nutritional supplements. The dietary supplement industry is working closely with the FDA to ensure the implementation of such quality assurance processes in the near future.

To date, the Company has not experienced any difficulty maintaining its import licenses but has experienced complications regarding food and drug regulations for nutritional products. Many of the Company's products have required reformulation to comply with local requirements. In addition, in Europe there is no uniform legislation governing the manufacture and sale of nutritional products. Complex legislation governing the manufacturing and sale of nutritional products in this market has inhibited the Company's ability to gain quick access to this market for the Company's nutritional supplements. Recently, the Company has started to expand its nutritional product offering into more European markets by either reformulating existing products or developing new products to comply with local regulations.

Big Planet Regulation. Big Planet's telecommunications products and services are subject to varying degrees of telecommunications regulation in each of the jurisdictions in the United States in which Big Planet operates. In the United States, domestic telecommunications service and international communications services in the United States are subject to the provisions of the Communications Act, as amended by the Telecommunications Act of 1996, and Federal Communications Commission (the "FCC") regulations and rules adopted thereunder, as well as the applicable laws and regulations of the various states. Big Planet currently offers long distance and cellular services through master agency relationships with third-party providers. Under such relationships, the third parties are the regulated provider of such services and Big Planet is not subject to the jurisdiction of state or federal telecommunications regulatory bodies in connection with the offering of such products and services. In the United States, Internet service providers are generally considered "enhanced service providers" and are exempt from federal and state regulations governing common carriers. Big Planet currently provides enhanced voice and data communication services as a result of its recent transaction with I-Link. Although these services are currently not regulated by state or federal telecommunications agencies, the FCC is conducting an inquiry into the applicability of traditional telecommunications regulations to such services. Currently, the I-Link services can be considered "enhanced services" exempt from federal and state regulations governing common carriers. Notwithstanding the foregoing, Big Planet is currently authorized on both a federal and state level (in substantially all 50 states) to provide traditional long distance telecommunications service. To the extent Big Planet elects to become a reseller of long distance services or the provision of enhanced voice and data communication services becomes subject to regulations, Big Planet may become subject to rules and regulations which may impose material burdens on Big Planet's operations or financial performance.

Big Planet has contracted with third party service providers in Japan and Taiwan to provide Internet services for distributors and their customers. Big Planet does not currently provide any other services in these markets. In overseas markets, telecommunications and Internet services would be subject to the regulatory regimes in each of the countries in which it seeks to conduct business. Local regulations range from permissive to restrictive, depending upon the country. Many overseas telecommunications markets are undergoing dramatic changes as a result of privatization and deregulation. Despite recent trends toward deregulation, some countries do not currently permit competition in the provision of public switched voice telecommunications services, which will limit Big Planet's and other similarly situated United States-based carriers' ability to provide telecommunications services in some markets.

Other Regulatory Issues. As a United States entity operating through subsidiaries in foreign jurisdictions, the Company is subject to foreign exchange control and transfer pricing laws that regulate the flow of funds between the Company's subsidiaries and the Company for product purchases, management services and contractual obligations such as the payment of distributor commissions. The Company believes that it is operating in compliance with all applicable foreign exchange control and transfer pricing laws. However, there can be no assurance that the Company will continue to be found to be operating in compliance with foreign exchange control and transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes in the Company's operating procedures.

As is the case with most companies that operate in the Company's product categories, the Company, from time to time, receives inquiries from government regulatory authorities regarding the nature of the Company's business and other issues such as compliance with local direct selling, customs, taxation, foreign exchange control, securities and other laws. In addition, the Company, from time to time, also receives inquiries from the FTC concerning its compliance with its consent decree with the FTC. Although to date none of these inquiries has resulted in a finding materially adverse to the Company, adverse publicity resulting from inquiries into the Company's operations by United States and state government agencies in the early 1990s, stemming in part from alleged inappropriate product and earnings claims by distributors, and in the mid 1990s resulting from adverse media attention in South Korea, harmed the Company's business and results of operations. Any findings adverse to the Company in these inquiries or any adverse publicity resulting from such inquiries could harm the Company's business and results of operations.

Based on the Company's experience and research and the nature and scope of inquiries from government regulatory authorities, the Company believes that it is in material compliance with all regulations applicable to the Company. Despite this belief, the Company could be found not to be in material compliance with existing regulations as a result of, among other things, the considerable interpretative and enforcement discretion given to regulators or misconduct by independent distributors.

Any assertion or determination that the Company or its distributors are not in compliance with existing laws or regulations could harm the Company's business or results of operations. In addition, in any country or jurisdiction, the adoption of new laws or regulations or changes in the interpretation of existing laws or regulations could generate negative publicity and/or harm the Company's business and results of operations. Government agencies and courts in any of the Company's markets could use their discretionary powers and authority to interpret and apply laws in a manner that would limit the Company's ability to operate or otherwise harm the Company's business. The Company cannot determine the effect, if any, that future governmental regulations or administrative orders may have on its business and results of operations. Governmental regulations in countries where the Company plans to commence or expand operations may prevent, delay or limit market entry of certain products or require the reformulation of such products. Regulatory action, whether or not it results in a final determination adverse to the Company, has the potential to create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on the Company's sales and earnings.

Employees

As of December 31, 2000, the Company had approximately 3,500 full-time and part-time employees. None of the employees is represented by a union or other collective bargaining group. The Company believes its relationship with its employees is good, and does not currently foresee a shortage in qualified personnel needed to operate the Company's business.

Risk Factors

The Company faces a number of substantial risks. The following risks and information should be considered in connection with the other information contained in this filing. The Securities and Exchange Commission (the "SEC") has issued regulations which require these risk factors to be presented in first person narrative and other "plain English" styles required by the SEC. The purpose of these requirements is to make the risk factors easier to understand and more clear. Terms used in these risk factors such as "we," "us" and "our" refer to the Company.

If the number or productivity of independent distributors does not increase, our revenue will not increase.

To increase revenue, we must increase the number of and/or the productivity of our distributors. We can provide no assurances that distributor numbers will increase or remain constant or that productivity will increase. Over the past couple of years, we have experienced a decline in the number of our distributors. This trend may continue. Distributors may terminate their services at any time, and, like most direct selling companies, there is high turnover among distributors from year to year. We cannot accurately predict how the number and productivity of distributors may fluctuate because we primarily rely upon existing distributors to sponsor and train new distributors and to motivate new and existing distributors. Operating results could be adversely affected if our existing and new business opportunities and products do not generate sufficient economic incentive or interest to retain existing distributors and attract new distributors. The number and productivity of distributors also depend on several additional factors, including:

* Adverse publicity regarding us, our products, our distribution channel or our competitors;

* The public's perception of our products and their ingredients;

* The public's perception of our distributors and direct selling businesses in general; and

* General economic and business conditions.

In addition, we may face "saturation" or maturity levels in a given country or market. This is of particular concern in Taiwan, where industry sources have estimated that up to 10% of the population is already involved in some form of direct selling. The maturity of certain of our markets could also affect our ability to attract and retain distributors in those markets.

Adverse economic and political conditions in some Asian markets, particularly Japan, could harm our business.

Economic and political conditions in most Asian markets have been poor in recent years and may not improve or may worsen. In recent months, there has been renewed concern about the economy, consumer confidence and the banking situation in Japan. In 1999 and 2000, our revenue and net income decreased in part because of economic conditions in these markets and stagnant consumer confidence. Continued or worsening economic and political conditions in Asia, particularly in Japan given that market's significance to our operations, could further reduce our revenue and net income.

Currency exchange rate fluctuations could lower our revenue and net income.

We recognize most of our revenue in non-United States markets using local currencies. We purchase inventory primarily in the United States and in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in these countries from their local currencies into U.S. dollars using weighted average exchange rates. We had favorable exchange rate movement in 2000 that helped to partially offset the local currency decline in revenue in Japan. However, the Yen has significantly weakened over the last couple of months and renewed concerns concerning the Japanese economy and problems related to Japanese banking and financial institutions have raised new concerns that the Japanese Yen could further weaken. Given the uncertainty of exchange rate fluctuations, however, we cannot estimate the effect these fluctuations may have upon future business, product pricing, results of operations or financial condition. However, because nearly all revenue is realized in local currencies and the majority of cost of sales is denominated in U.S. dollars, gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening of the U.S. dollar. Although we attempt to reduce exposure to short-term exchange rate fluctuations by using foreign currency exchange contracts, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure.

Failure of our Internet and other initiatives to create sustained distributor enthusiasm and incremental revenue growth would negatively impact our business.

In 2000, we introduced various Internet and other initiatives, particularly in Japan, in order to increase distributor sponsoring and help stabilize operations in those Asian markets. Although these initiatives helped stabilize revenue in Japan in the latter part of the year, there is still uncertainty regarding the long-term effects of such initiatives. There can be no assurance that such initiatives will continue to spur distributor sponsorship and activity or generate revenue growth on a sustained basis. These initiatives have only recently been introduced and are subject to various risks and uncertainties including:

* The risk that technical problems and any delays in deploying planned Internet and technological enhancements could reduce distributor enthusiasm, increase the costs of such initiatives and negatively impact our sales.

* The risk that our Internet initiatives may not lead to sustained benefits and increased sales for distributors, which could result in failure of such initiatives to generate sustained distributor activity.

* The risk that new product introductions and initiatives will adversely affect sales of other products and not generate incremental growth.

Failure of new products to gain distributor and market acceptance could harm our business.

A critical component of our business is our ability to develop new and innovative products that create enthusiasm among our distributor force. If we fail to introduce new products planned for introduction in 2001 or if we fail to keep our product offering innovative and on the leading edge, this could harm distributor productivity. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, this would have an adverse affect on our operations. Factors that could affect our ability to continue to introduce new products include, among others, the loss of key research and development staff from our divisions, the termination of third party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

Government inquiries, investigations and actions could harm our business.

From time to time we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any assertion or determination that we or any of our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could decrease distributor productivity and create negative publicity. Negative publicity could detrimentally affect our efforts to motivate and recruit new distributors and, consequently, reduce revenue and net income.

The loss of key high-level distributors could reduce our revenue.

Although we have approximately 475,000 active distributors, approximately 300 distributors currently occupy the highest levels under the Global Compensation Plan. These distributors, together with their extensive networks of downline-sponsored distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in such distributor's network of downline distributors could significantly reduce our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our sales and profitability to decline.

Various government agencies throughout the world regulate direct sales practices, intending generally to prevent fraud. If we are unable to continue business in existing markets or commence operations in new markets because of such laws, our revenue and profitability will decline. The PRC currently has laws that prohibit us from conducting business in such market under our current distribution model. Other countries in which we currently do business could change their laws or regulations to negatively affect or prohibit completely direct sales efforts. Additionally, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. Also, if any governmental authority brings a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer. See "Government Regulation" for additional discussion of regulations and laws governing our direct sales practices.

Challenges by private parties could harm our business.

In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales, to protect consumers and to prevent inappropriate activities, such as inventory loading, to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on those the FTC found acceptable in reviewing the legality of Amway Corporation's marketing system. We have also developed our rules and policies based on negotiations and discussions with the Attorney Generals' offices in several states and the FTC, and based on industry standards required by domestic and global direct sales associations. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact based and are subject to judicial interpretation. For example, in a 1996 case, Webster v. Omnitrition, the Ninth Circuit Court of Appeals ruled that the existence of rules patterned after the rules reviewed by the FTC in the Amway case do not establish as a matter of law that a network marketing system is legal. The court indicated that a company may need to introduce evidence that the rules and policies are enforced and actually serve to deter inventory loading and encourage retail sales in order to demonstrate that a particular network marketing system is lawful. The Ninth Circuit also raised questions and issues concerning the effectiveness of the rules at issue in that case and referred the case back to the trial court. These issues have not been definitively addressed by either a regulatory body or court since Webster v. Omnitrition. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing.

Government regulation of products and services may restrict or inhibit introduction of these products in some markets and could harm our business.

We may be unable to introduce our products in some markets if we fail to obtain needed regulatory approvals, or if any product ingredients are prohibited. For example, the FDA is seeking to prohibit the marketing of our product Cholestin as a dietary supplement in the United States. If the FDA prevails, this would adversely affect sales of Cholestin in its current form. In addition, regulations in Germany, Austria and Taiwan currently prevent us from marketing certain products such as St. John's Wort and BioGinkgo 27/7. In addition, some markets have restrictions on private competition and foreign ownership of telecommunications products and services. The Internet is an emerging technology and market and, as such, new laws and regulations could be adopted to regulate such market and services that could affect our business. Failure to introduce products or delays in introducing products could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products despite research and independent studies supporting such claims. These product claim restrictions could lower sales of some of our products. See "Government Regulation" for more information about government regulation of our products and services.

Changes in tax laws or any inability to utilize foreign tax credits could harm our business.

We are subject to various domestic and foreign tax, foreign exchange, import duty and transfer price laws. These laws can be complex and subject to various interpretations. We are subject to various risks including:

* Changes in any such laws that result in higher taxes or duties, subject more of our income to taxation in higher tax-rate jurisdictions, subject our sales to point-of-sales or value-added taxes, or impose new or additional taxes.

* Any investigation or determination by regulatory authorities that we are not in compliance with such laws.

In addition, we have significant foreign tax credits that will expire over the next several years if they are not utilized. Although we currently anticipate we will be able to use these foreign tax credits, circumstances and other factors could impact our ability to use these credits, including any adverse change in our business performance, our failure to generate sufficient U.S. based income, and any changes in tax laws. Any failure to utilize these credits could result in a charge to earnings.

Losing suppliers or rights to sell products could harm our business.

We currently acquire products and ingredients from a limited number of suppliers we consider to be among the best suppliers of products and ingredients. We also license the right to distribute some of our products from third parties. Losing any of these suppliers or licenses could restrict our ability to produce or distribute certain products and harm our sales as a result. We also obtain some of our botanical products from plants that can only be harvested once a year. As a result, problems growing a certain plant in a given year could limit our ability to produce a product with ingredients derived from that plant.

Our markets are intensely competitive, and market conditions and the strengths of competitors may harm our business.

The markets for our products are intensely competitive. We also compete with other network marketing companies for distributors. Results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. Also, we currently do not have significant patent or other proprietary protection, and competitors may introduce products with the same natural ingredients and herbs as we use in our products. For example, Cholestin, which is derived from the fermentation of red yeast on rice substrate, has received recent publicity. In response to this publicity, competitors have introduced competing red yeast products. Because of restrictions under regulatory requirements concerning claims about dietary supplements, we may have a difficult time differentiating our products from competitors' products. Accordingly, as a result of these competing products entering the nutritional market, sales of Cholestin and other natural supplements could suffer. In addition the market for Big Planet's products is very price sensitive.

If we fail to keep pace with Internet-related and other technological changes, our business may be harmed.

Direct selling companies are adapting their business models to integrate the Internet and other technological advances into their operations as more and more consumers purchase goods and services using the Internet instead of traditional retail and direct sales channels. The Internet and e-commerce markets are characterized by rapidly changing technology, evolving industry standards and frequent new services and enhancements to meet evolving customer demand. Big Planet's and our other e-commerce initiatives' future success will depend on our ability to adapt to rapidly changing technologies, to adapt services to evolving industry standards and to continually improve the performance, features and reliability of our services. Failure to adapt to such changes could harm our business. In addition, competition for qualified information technology employees and contractors is strong because of the strong demand for their services. We have experienced in the past, and may experience in the future, difficulties in recruiting and retaining qualified informational technology personnel, which could harm our technology initiatives.

Adoption of new Internet and technological advances could require substantial expenditures.

The widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt services or infrastructure. Big Planet incurred operating losses of approximately $25.0 million, and we anticipate further operating losses over the next year. We can provide no assurances that we will be able to integrate the Internet into our business in a profitable manner or that we will be able to operate Big Planet profitably or effectively market its products and services through a network marketing system.

System failures could harm our business.

As Internet and other technology initiatives are integrated into our business, our success will depend on the efficient and uninterrupted operation of computer and communications hardware and software systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite any precautions, the occurrence of a natural disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

Big Planet may be liable for information disseminated through its Internet access service.

If Big Planet becomes liable for information provided by its users and carried on its Internet access service, Big Planet could be directly harmed and may be forced to implement new measures to reduce its exposure to this liability. The law relating to the liability of online services companies for information carried on or disseminated through their services is currently unsettled. Several private lawsuits currently are pending that seek to impose liability upon other online services companies. In addition, federal, state and foreign legislation has been proposed that imposes liability or prohibits the transmission over the Internet of different types of information.

Our e-commerce strategies and Big Planet's operations will depend on the development and maintenance of the Internet infrastructure.

The success of Big Planet's service and our e-commerce strategies will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products, such as high speed modems, for providing reliable Internet access and services. Because global commerce and the online exchange of information is new and evolving, we cannot predict whether the Internet will prove to be a viable commercial marketplace in the long term. The Internet has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. If the Internet continues to experience an increased number of users, increased frequency of use or increased bandwidth requirements, the

Internet infrastructure may be unable to support the demands placed on it. In addition, the performance of the Internet may be harmed by increased users or bandwidth requirements.

The holders of our Class B Common Stock control over 90% of the combined voting power, and third parties will be unable to gain control of our company through purchases of Class A Common Stock.

The ten original stockholders of our company together with their family members and affiliates have the ability to control the election of the board of directors and, as a result, future direction and operations, without the supporting vote of any other stockholder. These stockholders together with their family members and affiliates are able to control decisions about business opportunities, declaring dividends and issuing additional shares of Class A Common Stock or other securities. These stockholders own all outstanding shares of Class B Common Stock, which have ten-to-one voting privileges over shares of Class A Common Stock. Currently, these stockholders and their affiliates collectively own shares that represent more than 90% of the combined voting power of the outstanding shares of both classes of common stock. As long as these stockholders are majority stockholders, third parties will not be able to obtain control of our company through open-market purchases of shares of Class A Common Stock.

Product liability claims exceeding product liability insurance coverage could harm our business.

We may be required to pay for losses or injuries caused by our products. If product liability insurance coverage fails to cover fully future product liability claims, we could be required to pay substantial monetary damages, which could harm our business. We currently maintain an insurance policy covering product liability claims with a $1.0 million per claim and $1.0 million annual aggregate limit and an umbrella policy of $40 million. Such insurance is subject to various exclusions and deductibles customary in the market which could limit coverage.

Shares eligible for future sale could affect the market price of our Class A common stock.

If our stockholders sell a substantial number of shares of Class A Common Stock in the public market, the market price of our Class A Common Stock could fall. Several of our principal stockholders hold a large number of shares of the outstanding Class A Common Stock and the Class B Common Stock that are convertible into Class A Common Stock. Some of the original stockholders who are no longer actively involved with the Company began selling shares on the open market in 2000 following the lapse of selling restrictions they were subject to. Additional sales by these stockholders or a decision by any of the other principal stockholders to aggressively sell shares could adversely affect the market for our stock.

Note Regarding Forward-Looking Statements. Certain statements made in this filing under the caption "Business" are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, when used in this Report the words or phrases "will likely result," "expects," "intends," "will continue," "is anticipated," "estimates," "projects," "management believes," "the Company believes" and similar expressions are intended to identify "forward-looking statements" within the meaning of the Exchange Act.

Forward-looking statements include plans and objectives of management for future operations, including plans and objectives relating to our products and our future economic performance in each country in which we operate and our financial results. These forward-looking statements involve risks and uncertainties and are based on certain assumptions that may not be realized. Actual results and outcomes may differ materially from those discussed or anticipated. The Company assumes no responsibility or obligation to update these statements to reflect any changes. The forward-looking statements and associated risks set forth herein relate to, among other things:

* Nu Skin's plans to launch a new hair-care line in 2001;

* Nu Skin's belief that it could produce or source its personal care products from other suppliers without great difficulty;

* Pharmanex's belief that the nutritional market is expanding;

* Pharmanex's belief that it could replace its primary suppliers without great difficulty;

* Planet Electric's plans to continue to create products using its technology for distributing by Big Planet;

* Plans for Internet initiatives;

* The Company's belief that it is in material compliance with applicable laws and regulations;

* Big Planet's plans to identify and secure contractual relationships with vendors and suppliers for the Big Planet Mall; and

* Plans to expand divisional web sites in the United States and Japan.

ITEM 2. PROPERTIES

The Company generally leases its warehouse, office or distribution facilities in each geographic region in which the Company currently has operations. The Company believes that its existing and planned facilities are adequate for its current operations in each of its existing markets. The following table summarizes, as of March 1, 2001, Nu Skin Enterprises' major leased office and distribution facilities.

Location	Function	Approximate Square Feet
Provo, Utah*	Distribution center	198,000
Provo, Utah*	Corporate offices	125,000
Los Angeles, California	Warehouse	30,000
Yokohama, Japan	Warehouse	40,000
Tokyo, Japan	Call center/distribution center	56,000
Tokyo, Japan	Central office/distribution center	28,000
Taipei, Taiwan	Central office/distribution center	35,000
Taoyuan, Taiwan	Warehouse/distribution center	46,000
Ontario, Canada	Office/warehouse	31,000
Venlo, Netherlands	Warehouse/offices	20,000

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[FN]

*These facilities are leased from related parties.

In connection with the acquisition of Pharmanex, the Company acquired a production facility located in Huzhou, Zhejiang Province, in the PRC. The design and construction of this extraction and purification facility was completed in October 1994 and on-line production began in November 1994.

ITEM 3. LEGAL PROCEEDINGS

On July 21, 2000, the Tenth Circuit Court of Appeals reversed a decision by the district court in the case, Pharmanex v. Donna Shalala. The case was originally initiated by Pharmanex, a subsidiary of the Company, in the Federal District Court for the District of Utah to challenge the decision by the Food and Drug Administration (the "FDA") that Cholestin was a drug and could not be marketed as a dietary supplement. In February 1999, the Utah district court ruled that Cholestin could be legally sold as a dietary supplement under the Dietary Supplement Health and Education Act of 1994 ("DSHEA") based on the court's statutory interpretation of a provision of DSHEA that excludes from the definition of dietary supplements an "article" that is approved as a drug which was not marketed as a dietary supplement prior to such approval. The Tenth Circuit Court of Appeals reversed the district court's decision with respect to the interpretation of such provision and remanded the case back to the district court to determine whether Cholestin can be legally sold as a dietary supplement based on other provisions of DSHEA, the facts of the case and the appellate court's ruling regarding the interpretation of the relevant statute. Arguments were held before the district court in December 2000. On April 2, 2001, the Company received notice that the district court had ruled in favor of the FDA. The Company is currently reviewing and evaluating the decision and the alternatives available to the Company.

In March 1993, a class action lawsuit entitled Natalie Capone on behalf of Herself and All Others Similarly Situated v. Nu Skin Canada, Inc., Nu Skin International, Inc., Blake Roney, et al., was filed against Nu Skin International and affiliated parties in federal district court in Utah alleging violations of the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, common law fraud and violations of the Utah Consumer Sales Practices Act. The plaintiffs in the case also sought injunctive relief as well as disgorgement of profits and restitution to the plaintiffs of earnings, profits and other compensation. In February 2001, the Company and the plaintiff entered into a settlement agreement pursuant to which the previously certified class was decertified and a limited refund offer was proposed to a group of former Canadian distributors active in 1990 and 1991. The settlement and class decertification were approved by the court in March 2001.

In January 2000, a derivative lawsuit captioned Karen Kindt, on behalf of Nu Skin Enterprises, Inc. v. Blake Roney et. al was filed in the Court of Chancery in the State of Delaware in and for New Castle County against certain members of the Board of Directors alleging a breach of fiduciary duty and self-dealing in connection with the Company's acquisition of Nu Skin International in 1998, and the termination of the license agreements with Nu Skin USA, Inc., and the acquisition of Big Planet in 1999. The Board of Directors appointed a special litigation committee to investigate the validity of the complaint. After an exhaustive and thorough review of the allegations, the special committee made a report to the Board of Directors. Based on the findings by the special committee, the Company has moved to dismiss the complaint. The motion is pending.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year ended December 31, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by Item 5 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Market for Registrant's Common Equity and Related Stockholder Matters" in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 6. SELECTED FINANCIAL DATA

The information required by Item 6 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Selected Consolidated Financial Data" in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 7. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by Item 7 of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 7A of Form 10-K is incorporated herein by reference from the information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations-Currency Risk and Exchange Rate Information" and Note 17 to the Consolidated Financial Statements in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 of Form 10-K is incorporated herein by reference to the Consolidated Financial Statements and the related notes set forth in the Company's 2000 Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

The information required by Items 10, 11, 12, and 13 of Part III is hereby incorporated by reference to the Company's Definitive Proxy Statement filed or to be filed with the Securities and Exchange Commission not later than April 30, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Form 10-K:

1. Financial Statements (pursuant to Part II, Item 8)*

Report of Independent Accountants

Consolidated Balance Sheets at December 31, 1999 and 2000

Consolidated Statements of Income for the years ended December 31, 1998, 1999, and 2000

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1999, and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999, and 2000

Notes to Consolidated Financial Statements

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* Except as noted below, the foregoing are incorporated by reference to the Company's Annual Report to Stockholders, sections of which are attached hereto as Exhibit 13.

2. Financial Statement Schedules: Financial statement schedules have been omitted because they are not required or are not applicable, or because the required information is shown in the financial statements or notes thereto.

3. Exhibits: The following Exhibits are filed with this Form 10-K:

Exhibit Number	Exhibit Description
2.1	Stock Acquisition Agreement between Nu Skin Asia Pacific, Inc. and each of the persons on the signature pages thereof, dated February 27, 1998, incorporated by reference to Exhibit 2.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
2.2	Agreement and Plan of Merger dated as of May 3, 1999 by and among Nu Skin Enterprises, Inc., NSC Sub, Inc. NSG Sub, Inc., NSM Sub, Inc., NFB Sub, Inc., Nu Skin Canada, Inc., Nu Skin Guatemala, Inc., Nu Skin Guatemala, S.A., Nu Skin Mexico, Inc., Nu Skin Mexico, S.A. de C.V., Nu Family Benefits Insurance Brokerage, Inc. and certain stockholders, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 25, 1999.
2.3	Agreement and Plan of Merger and Reorganization dated May 3, 1999 between and among the Company, Big Planet Holdings, Inc., Big Planet, Inc., Nu Skin USA, Inc., Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 28, 1999.
2.4	First Amendment to Agreement and Plan of Merger and Reorganization dated July 2, 1999 between and among the Company, Big Planet Holdings, Inc., Big Planet, Inc., Maple Hills Investment, Inc. (formerly Nu Skin USA, Inc.), Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 28, 1999.
3.1	Amended and Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.
3.3	Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof, incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
3.4	Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form S-1.
4.1	Specimen Form of Stock Certificate for Class a Common Stock incorporated by reference to Exhibit 4.1 to the Company's Form S-1.
4.2	Specimen Form of Stock Certificate for Class B Common Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.

10.1 Form of Indemnification Agreement to be entered into by and among the Company and certain of its officers and directors incorporated by reference to Exhibit 10.1 to the Company's Form S-1.

10.2 Employment Contract, dated December 12, 1991, by and between Nu Skin Taiwan and John Chou incorporated by reference to Exhibit 10.3 to the Company's Form S-1.

10.3 Employment Agreement, dated May 1, 1993, by and between Nu Skin Japan and Takashi Bamba incorporated by reference to Exhibit 10.4 to the Company's Form S-1.

10.4 Intentionally left blank.

10.5 Option Agreement by and between the Company and M. Truman Hunt incorporated by reference to Exhibit 10.19 to the Company's Form S-1.

10.6 Form of Amended and Restated Stockholders Agreement dated as of November 28, 1997, incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

10.7 Tax Sharing and Indemnification Agreement dated December 31, 1997, by and among NSI, Nu Skin USA, and the shareholders of NSI and Nu Skin USA and their successors and assigns, incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.8 Assumption of Liabilities and Indemnification Agreement dated December 31, 1997, by and between NSI and Nu Skin USA, incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.9 Employee Benefits Allocation Agreement by and between NSI and Nu Skin USA, incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.10 Warehouse Lease Agreement dated March 1996, between NSI and Aspen Investments, Ltd., incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.11 Lease Agreement dated January 27, 1995, by and between NSI and Scrub Oak, Ltd., incorporated by reference to Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.12 Sublease Agreement dated January 1, 1998, by and between NSI and Nu Skin USA, incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.13 Warehouse Lease Agreement (Annex) dated October 1, 1993, by and between NSI and Aspen Investments, Ltd., incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.14 Nu Skin Enterprises, Inc.'s Executive Bonus Plan

10.15 Amendment in Total and Complete Restatement of Deferred Compensation Plan, incorporated by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.16 Form of Deferred Compensation Plan (New Form), incorporated by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.17 Amendment in Total and Complete Restatement of NSI Compensation Trust, incorporated by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.18 Asset Purchase Agreement by and among the Company, Nu Skin United States, Inc., and Nu Skin USA, dated as of March 8, 1999, incorporated by reference to Exhibit 10.52 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.19 Termination Agreement by and between NSI and Nu Skin USA, dated as of March 8, 1999, incorporated by reference to Exhibit 10.53 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.20 Indemnification Limitation Agreement by and among the Company, Nu Skin United States, Inc., NSI, Nu Skin USA, and the other parties who executed such agreement, incorporated by reference to Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.21 Amendment No. 1 to Amended and Restated Stockholders Agreement dated as of November 28, 1997, incorporated by reference to Exhibit 10.55 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

10.22 Amendment No. 2 to Amended and Restated Stockholders Agreement, incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.23 Note and Pledge Agreement between the Company and William McGlashan Jr., incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

10.24 Amended and Restated Employment Agreement between Pharmanex and William McGlashan Jr., incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

10.25 First Amendment to Indemnification Limitation Agreement dated as of May 3, 1999 between Nu Skin Enterprises, Inc., Nu Skin USA, Inc., and the Stockholders of the acquired entities identified therein, incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 28, 1999.

10.26 Second Amended and Restated Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (corrected version), incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.27 Mutual Release of Claims and Modification Agreement dated as of October 16, 1999 by and among Nu Skin Enterprises and the Stockholder Representatives on behalf of the former stockholders of Generations Health Holdings, Inc., incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-Q for the quarter ended September 30, 1999.

10.28 Service Agreement between Grant F. Pace and the Company, incorporated by reference to exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.29 Base Form of Stock Option Agreement, incorporated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.30 Consulting Agreement between Max L. Pinegar and Nu Skin International, Inc., incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.31 Assignment of Leasehold Improvements by and between Big Planet, Inc. and Maple Hills Investment dated as of July 13, 1999, incorporated by reference to Exhibit 10.44 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

10.32 Employment Agreement by and between Pharmanex and Joseph Chang, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

10.33 Promissory Note by and between the Company and Grant Pace, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

10.34 Note Purchase Agreement dated October 12, 2000, by and between the Company and The Prudential Insurance Company of America, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

10.35 Pledge Agreement dated October 12, 2000, by and between the Company and State Street Bank and Trust Company of California, N.A., acting in its capacity as collateral agent, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

10.36 Collateral Agency Agreement dated October 12, 2000, by and between the Company, State Street Bank and Trust Company of California, N.A., as Collateral Agent, and the lenders and note holders party thereto, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.

13 1998 Annual Report to Stockholders (Only items incorporated by reference).

21.1 Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP.

(b) The Company did not file any current reports on Form 8-K during the fourth quarter.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2001.

NU SKIN ENTERPRISES, INC.

By: /s/ Steven J. Lund
Steven J. Lund, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 30, 2001.

Signature	Capacity in Which Signed
/s/ Blake M. Roney Blake M. Roney	Chairman of the Board
/s/ Steven J. Lund Steven J. Lund	President, Chief Executive Officer, and Director (Principal Executive Officer)
/s/ Corey B. Lindley Corey B. Lindley	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Accounting Officer)
/s/ Sandra N. Tillotson Sandra N. Tillotson	Senior Vice President, Director
/s/ Brooke B. Roney Brooke B. Roney	Senior Vice President, Director
/s/ Max L. Pinegar Max L. Pinegar	Senior Vice President, Director
/s/ Daniel W. Campbell Daniel W. Campbell	Director
/s/ E.J. "Jake" Garn E. J. "Jake" Garn	Director
/s/ Paula F. Hawkins Paula F. Hawkins	Director
/s/ Andrew D. Lipman Andrew D. Lipman	Director

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Stock Acquisition Agreement between Nu Skin Asia Pacific, Inc. and each of the persons on the signature pages thereof, dated February 27, 1998, incorporated by reference to Exhibit 2.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
2.2	Agreement and Plan of Merger dated as of May 3, 1999 by and among Nu Skin Enterprises, Inc., NSC Sub, Inc. NSG Sub, Inc., NSM Sub, Inc., NFB Sub, Inc., Nu Skin Canada, Inc., Nu Skin Guatemala, Inc., Nu Skin Guatemala, S.A., Nu Skin Mexico, Inc., Nu Skin Mexico, S.A. de C.V., Nu Family Benefits Insurance Brokerage, Inc. and certain stockholders, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 25, 1999.
2.3	Agreement and Plan of Merger and Reorganization dated May 3, 1999 between and among the Company, Big Planet Holdings, Inc., Big Planet, Inc., Nu Skin USA, Inc., Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 28, 1999.
2.4	First Amendment to Agreement and Plan of Merger and Reorganization dated July 2, 1999 between and among the Company, Big Planet Holdings, Inc., Big Planet, Inc., Maple Hills Investment, Inc. (formerly Nu Skin USA, Inc.), Richard W. King, Kevin V. Doman and Nathan W. Ricks, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 28, 1999.
3.1	Amended and Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-12073) (the "Form S-1").
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.
3.3	Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof, incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998.
3.4	Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form S-1.
4.1	Specimen Form of Stock Certificate for Class a Common Stock incorporated by reference to Exhibit 4.1 to the Company's Form S-1.
4.2	Specimen Form of Stock Certificate for Class B Common Stock incorporated by reference to Exhibit 4.2 to the Company's Form S-1.
10.1	Form of Indemnification Agreement to be entered into by and among the Company and certain of its officers and directors incorporated by reference to Exhibit 10.1 to the Company's Form S-1.

10.2	Employment Contract, dated December 12, 1991, by and between Nu Skin Taiwan and John Chou incorporated by reference to Exhibit 10.3 to the Company's Form S-1.
10.3	Employment Agreement, dated May 1, 1993, by and between Nu Skin Japan and Takashi Bamba incorporated by reference to Exhibit 10.4 to the Company's Form S-1.
10.4	Intentionally left blank.
10.5	Option Agreement by and between the Company and M. Truman Hunt incorporated by reference to Exhibit 10.19 to the Company's Form S-1.
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13	1998 Annual Report to Stockholders (Only items incorporated by reference).
21.1	Subsidiaries of the Company.
23.1	Consent of PricewaterhouseCoopers LLP.

Nu Skin Enterprises Nu Skin Enterprises, Inc. 3
Exectuvie Annual Incentive Plan

July 2000

Purpose

Nu Skin Enterprises, Inc. ("Nu Skin") believes that sound compensation programs are essential to the retention, attraction and motivation of personnel . The purpose of the Plan is to focus employees on excellent, sustained performance that leads to long-term growth, profitability and stability.

Objectives

The objectives of the Annual Incentive Plan include:

* Focusing employees on the achievement of Nu Skin Enterprise business and strategic objectives;

* Enhancing operational efficiency and teamwork within each Division and across Divisions;

* Increasing Divisional revenue and NSE net income; and

* Attracting, retaining and motivating employees by emphasizing "pay for performance" compensation programs that offer competitive total compensation (base salary + incentives) opportunities upon achievement of:

  Company financial and strategic objectives; and

  Division and Individual objectives.

Effective Plan Date, Duration and Performance Cycles

* Effective Plan Date The effective Plan date is July 1, 2000.

* Plan Duration

  * From the effective Plan date of July 1, 2000;

  * Until December 31, 2000; and renegotiated as needed

* Performance Cycles

  The Plan has two performance cycles, a quarterly and an annual performance cycle. Each cycle is based on the specific results of the quarter or year. Employees are eligible to earn up to 12.5% of the Individual's earned incentive award at the end of each quarter and up to 50% of the award upon completion of the fiscal year.

Target Incentive Award Opportunities

Annual Incentive Plan Participants have target award opportunities designed to reward superior corporate and Division performance and maintain externally competitive total cash compensation commensurate with NSE's performance:

* Participants' incentive awards will be based upon the areas of the Company in which they contribute and

* Participants are assigned a target incentive award opportunity expressed as a percentage of their base salary:

  60% for the Chairman, CEO/President and Founding Senior Vice Presidents subject to review by ECC of named officers, bonus amount above 1 million placed in deferred compensation plan;

  60% for Executive Vice President's

  50% for Division Presidents and Country Managers

  40% for Vice Presidents, Regional Vice Presidents and Division Senior Vice Presidents, Country Division Managers and Country Senior Management.

* All employees participate in the plan with both an NSE and Division component and payment is based on the performance of NSE as a whole and all Divisions; and

* Target incentive award levels are determined by the Individual's level of job responsibility reflecting that job's ability to impact NSE's financial performance, as well as competitive total compensation practices (base salary = incentives) for comparable jobs within organizations similar in size and scope.

  The target award amount is not a guaranteed sum:

*   The actual incentive pay-out may be smaller or larger, depending on overall NSE and Division performance results.

PARTICIPANTS

Position	Participants
Chairman	Blake Roney
CEO/President	Steve Lund
Senior Vice Presidents - Founders	Brooke Roney, Sandie Tillotson, Keith Halls, Max Pinegar
Executive Vice Presidents	Corey Lindley, Truman Hunt
Division Presidents	Joe Chang, Grant Pace, Richard King
Corporate Vice Presidents	Brad Morris, Gary Garrett, Larry Macfarlane, Rich Hartvigsen, R. Brent Ririe, Claire Averett, Mark Adams, John Fralick
Division COOs	Robert Conlee, Sid Henderson, Scott Schwerdt
Division Vice Presidents	Lori Bush, Rob Young, Michael Chang, Luis Cerqueira, Joe Ford, Jack Peterson, Bart Mangum, Brett Nelson
Regional Vice Presidents	Mike Smith, Mark Wolfert, Andrew Fan
Country President/Gen Mgr	John Chou, Takashi Bamba, Stewart McArthur, ST Han, Paul Hanson
Country Division Manager	David Sanar, Others To be named
Country Senior Management	To be named

Performance Objectives

The Nu Skin Annual Incentive Plan pay-out formula is based upon the achievement of the following two sets of performance objectives:

* Critical Success Factors ("CSF's")

  The performance objective of Corporate or Country Operating Profit is weighted at 60%

  The performance objective of Revenue is weighted at 40%

* Individual Objectives

  Personal performance objectives for each participant are established prior to the start of the performance period. Some Individual objectives may stretch for the entire fiscal year.

  Personal performance objectives should encompass other areas than strictly personal objectives, i.e. LOIs, Department performance etc. Performance levels for Individual objectives are negotiated with each supervisor.

Performance Levels

* Threshold levels represent the minimum acceptable performance levels required for incentive pay-out in each category.

  The NSE or Country Operating Profit threshold is 95%

  The Revenue threshold is 90%

  The Individual Goal threshold is 80%

  Note: If any of the CSFs are below the threshold level at the end of the Plan performance cycle, no incentive will be paid.

* Target levels represent achievement of 100% of budgeted revenue and operating profit.

* Outstanding levels represent performance levels that exceed the target objectives.

* Target Guidelines

    * Corporate Vice Presidents and Country Senior management that also support the Divisions participate in the plan with both a Corporate/Country and Division component based on the performance of the Corporation and all Divisions; and

    * Division employees must achieve at least 80% of their respective Division budgeted revenue prior to being eligible for any payment from the Corporate/Country portion under the incentive plan, however, in order to receive the Division revenue portion key revenue thresholds (90%) must first be met; and

    * Even if the Company/Country does not meet its overall financial Goals, the portion of the incentive award relating to the Division Revenue or Individual Goals will be paid where the Division achieves key revenue thresholds (90%), subject to the Company's/Country's overall ability to make such payment.

* Incentive Award Pay-Out Guidelines/Eligibility

    * Eligible participants at Executive Vice President level and above will be chosen by the Chairman and the CEO/President and approved by the Executive Compensation Committee. All other levels of participants will be chosen by the Executive Management Committee.

    * At achievement of 95% and 90% of the respective CSF, one-half of the cash incentive will be paid out. The pay-out amount is increased linearly up to full payment at 100% achievement of CSFs.

    * At the Outstanding performance level, target cash incentives will be increased linearly with no cap;

* All participants must be on the payroll at the time of the payment;

  Participants must be actively employed (not on a leave-of-absence) a minimum of three months to participate in the plan. In addition, the award amount will be prorated in full month increments within the plan period based on the number of months actively employed.

* Participants will receive their awards, when earned, by separate check;

* Award payments shall be subject to any State and/or Federal tax withholdings; and

* Payments will be made within forty-five (45) days of each quarter-end and seventy-five (75) days from the fiscal year-end.

Position	Total Target Incentive	Corporate Revenue Portion	NSE Op Profit Portion	Division Revenue Portion	Ind Portion
Chairman & the CEO/President	60%	40%	60%	0%	0%
Senior Vice Presidents - Founders	60%	40%	60%	0%	0%
Executive Vice Presidents	60%	30%	45%	0%	25%
Division Presidents	50%	24%	36%	20%	20%
Corporate Vice Presidents Division COOs	40%	20%	30%	25%	25%
Division Vice Presidents	40%	10%	15%	50%	25%

Position	Total Target Incentive	Corporate Revenue Portion	NSE Op Profit Portion	Division Revenue Portion	Ind Portion
Regional Vice Presidents	40%	30%	45%	0%	25%
Country President/General Manager	50%	32%	48%	0%	20%
Country Division Manager	40%	10%	15%	50%	25%
Country Senior Management	40%	32%	48%	0%	20%

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 1997, 1998, 1999 and 2000 and for the years ended December 31, 1996, 1997, 1998, 1999 and 2000 have been derived from the audited consolidated financial statements. The financial data as of December 31, 1996 is unaudited but, in management's opinion, includes all necessary information to present fairly the information included therein. The Company's consolidated financial statements for all periods presented before December 31, 1998 have been combined and restated for the acquisition of Nu Skin International, Inc. ("NSI") and certain other related affiliates in March 1998 (the "NSI Acquisition").

	Year Ended December 31,				
	1996	1997	1998	1999(2)	2000
	(U.S. dollars in thousands, except per share data)				
Income Statement Data:					
Revenue	$761,638	$953,422	$913,494	$894,249	$879,758
Cost of sales	171,187	191,218	188,457	151,681	149,342
Cost of sales-- amortization of inventory step-up	--	--	21,600	--	--
Gross profit	590,451	762,204	703,437	742,568	730,416
Operating expenses:					
Distributor incentives	282,588	362,195	331,448	346,951	345,259
Selling, general and administrative	168,706	201,880	202,150	265,770	294,744
Distributor stock expense	1,990	17,909	--	--	--
In-process research and development	--	--	13,600	--	--
Total operating expenses	453,284	581,984	547,198	612,721	640,003
Operating income	137,167	180,220	156,239	129,847	90,413
Other income (expense), net	10,771	8,973	13,599	(1,411)	5,993
Income before provision for income taxes and minority interest	147,938	189,193	169,838	128,436	96,406
Provision for income taxes	49,526	55,707	62,840	41,742	34,706
Minority interest (1)	13,700	14,993	3,081	--	--
Net income	$ 84,712	$118,493	$103,917	$ 86,694	$ 61,700
Net income per share:					
Basic	$ 1.07	$ 1.42	$ 1.22	$ 1.00	$ 0.72
Diluted	$ 1.02	$ 1.36	$ 1.19	$ 0.99	$ 0.72
Weighted average common shares outstanding (000s):					
Basic	79,194	83,331	84,894	87,081	85,401
Diluted	83,001	87,312	87,018	87,893	85,642

	As of December 31,				
	1996	1997	1998	1999(2)	2000
	(U.S. dollars in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$214,823	$174,300	$188,827	$110,162	$ 63,996
Working capital	143,308	123,220	164,597	74,561	122,835
Total assets	380,482	405,004	606,433	643,215	590,803
Short-term notes payable to stockholders	71,487	19,457	--	--	--
Long-term notes payable to stockholders	--	116,743	--	--	--
Short-term debt	--	--	14,545	55,889	--
Long-term debt	--	--	138,734	89,419	84,884
Stockholders' equity	113,495	94,892	254,642	309,379	366,733

	As of December 31,				
	1996	1997	1998	1999	2000
Other Operating Data:					
Number of active distributors (3)(4)	397,000	448,000	470,000	494,000	475,000
Number of executive distributors	21,479	22,689	22,781	21,005	21,381

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[FN]

(1) Minority interest represents the ownership interests in NSI held by individuals prior to the NSI Acquisition in 1998 who are not immediate family members of the majority-interest holders. The Company purchased the minority interest as part of the NSI Acquisition.

(2) 1999 results include transactions during the year which are discussed in detail in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(3) Active distributors are those distributors who were resident in the countries in which the Company operated and purchased products during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required personal and group sales volumes. The increase in the number of active distributors in 1999 is primarily due to the inclusion of distributors formerly licensed to the Company's affiliate Nu Skin USA, Inc.

(4) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 1999 and 2000 do not include approximately 29,000 and 40,000 Big Planet representatives who have residual sales volume on a three month rolling basis, respectively, for service provided by the Company or its service providers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes thereto, which are included in this Annual Report to Stockholders.

General

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements and technology and telecommunications products and services.

The Company's revenue depends upon the number and productivity of independent distributors who purchase products and sales materials from the Company in their local currency for resale to their customers or for personal use. The Company recognizes revenue when products are shipped and title passes to these independent distributors. Revenue is net of returns, which have historically been less than 5.0% of gross sales. Distributor incentives are paid to several levels of distributors on each product sale. The amount of the incentive varies depending on the purchaser's position within the Company's Global Distributor Compensation Plan. These incentives are classified as operating expenses. The following table sets forth revenue information by region for the time periods indicated. This table should be reviewed in connection with the tables presented under "Results of Operations," which disclose distributor incentives and other costs associated with generating the aggregate revenue presented.

Region	Year Ended December 31, 1998	1999	2000
	(U.S. dollars in millions)		
North Asia	$ 665.5	$ 619.3	$ 585.4
North America	72.7	117.9	155.8
Southeast Asia	159.7	140.1	119.5
Other Markets	15.6	17.0	19.1
	$ 913.5	$ 894.3	$ 879.8

Revenue generated in North Asia represented 67% of total revenue generated during the year ended December 31, 2000. The Company's operations in Japan generated 95% of the North Asia revenue during the same period. Revenue generated in North America represented 18% of total revenue generated during the year ended December 31, 2000. The Company's operations in the United States generated 95% of the North America revenue during that period. Revenue from Southeast Asia operations represented 14% of total revenue generated during the year ended December 31, 2000. The Company's operations in Taiwan generated 70% of the Southeast Asia revenue during that period.

Cost of sales primarily consists of the cost of products purchased from third-party vendors (generally in U.S. dollars), the freight cost of shipping these products to distributors as well as import duties for such products. Additionally, cost of sales includes the cost of sales materials sold to distributors at or near cost. Sales materials are generally purchased in local currencies. As the sales mix changes between product categories and sales materials, cost of sales and gross profit may fluctuate to some degree due primarily to the margin on each product line as well as varying import duty rates levied on imported product lines. In each of the Company's current markets, duties are generally higher on nutritional supplements than on personal care products. Also, as currency exchange rates fluctuate, the Company's gross margin will fluctuate.

Distributor incentives are the Company's most significant expense. Distributor incentives are paid to distributors on a monthly basis based upon their personal and group sales volumes as well as the group sales volumes of up to six levels of executive distributors in their downline sales organizations. These incentives are computed each month based on the sales volume and network of the Company's global distributor force. Small fluctuations occur in the amount of incentives paid as the network of distributors actively purchasing products changes from month to month. However, due to the size of the Company's distributor force of approximately 475,000 active distributors, the fluctuation in the overall payout is relatively small. The overall payout averages from 39% to 42% of global product sales. Sales materials and starter kits are not subject to distributor incentives. In addition, sales to the Company's North American private affiliates (the "North American Affiliates") were not subject to distributor incentives prior to being acquired by the Company in 1999. Distributor incentives include the cost of computing and paying commissions as well as the cost of incentive programs for distributors including an annual trip for the Company's leading distributors. These additional costs average approximately 1% of revenue.

Selling, general and administrative expenses include wages and benefits, depreciation and amortization, rents and utilities, travel and entertainment, promotion and advertising, research and development, professional fees and other operating expenses.

Provision for income taxes depends on the statutory tax rates in each of the countries in which the Company operates. For example, statutory tax rates are 16.0% in Hong Kong, 25.0% in Taiwan, 30.8% in South Korea and 46.3% in Japan. The Company is subject to taxation in the United States at a statutory corporate federal tax rate of 35.0%. However, the Company receives foreign tax credits in the United States for the amount of foreign taxes actually paid in a given period, which are utilized to reduce taxes in the United States to the extent allowed.

In March 1998, the Company completed the acquisition (the "NSI Acquisition") of the capital stock of Nu Skin International, Inc. ("NSI") and the Company's other previously privately-held affiliates in Europe, Australia and New Zealand (collectively the "Acquired Entities"). The NSI Acquisition was accounted for by the purchase method of accounting, except for that portion of the Acquired Entities under common control of a group of stockholders, which have been combined and restated in the Company's consolidated financial statements as if the Company and the Acquired Entities had been combined during all periods presented. The Company allocated $43.6 million of the purchase price to goodwill, intellectual property and other intangible assets relating to the portion accounted for by the purchase method.

Minority interest represents the ownership interests in NSI held by individuals prior to the NSI Acquisition in 1998 who are not immediate family members of the majority-interest holders. The Company purchased the minority interest as part of the NSI Acquisition.

In October 1998, the Company acquired Generation Health Holdings, Inc., the parent of Pharmanex (the "Pharmanex Acquisition"). With the Pharmanex Acquisition, the Company increased its nutritional product development and formulation capabilities. In connection with the Pharmanex Acquisition, the Company allocated $92.4 million to goodwill, intellectual property and other intangible assets and $13.6 million to purchased in-process research and development. During 1998, the Company fully wrote off the in-process research and development amount.

In March 1999, NSI terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA, Inc. ("Nu Skin USA") and paid Nu Skin USA a $10.0 million termination fee. Also, in March 1999, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA in exchange for assuming various accounts payable of Nu Skin USA. In May 1999, the Company completed the acquisition of its affiliates in Canada, Mexico and Guatemala. In July 1999, the Company completed the acquisition (the "Big Planet Acquisition") of Big Planet, Inc. ("Big Planet").

Results of Operations

The following tables set forth operating results and operating results as a percentage of revenue, respectively, for the periods indicated.

	Year Ended December 31,		
	1998	1999	2000
	(U.S. dollars in millions)		
Revenue	$ 913.5	$ 894.3	$ 879.8
Cost of sales	188.5	151.7	149.4
Cost of sales -- amortization of inventory step-up	21.6	--	--
Gross profit	703.4	742.6	730.4
Operating expenses:			
Distributor incentives	331.4	347.0	345.3
Selling, general and administrative	202.2	265.8	294.7
In-process research and development	13.6	--	--
Total operating expenses	547.2	612.8	640.0
Operating income	156.2	129.8	90.4
Other income (expense), net	13.6	(1.4)	6.0
Income before provision for income taxes and minority interest	169.8	128.4	96.4
Provision for income taxes	62.8	41.7	34.7
Minority interest	3.1	--	--
Net income	$ 103.9	$ 86.7	$ 61.7
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes and minority interest	$ 169.8		
Pro forma provision for income taxes	66.0		
Pro forma minority interest	1.9		
Pro forma net income	$ 101.9		

	Year Ended December 31,		
	1998	1999	2000
Revenue	100.0%	100.0%	100.0%
Cost of sales	20.6	17.0	17.0
Cost of sales-- amortization of inventory step-up	2.4	--	--
Gross profit	77.0	83.0	83.0
Operating expenses:			
Distributor incentives	36.3	38.8	39.2
Selling, general and administrative	22.1	29.7	33.5
In-process research and development	1.5	--	--
Total operating expenses	59.9	68.5	72.7
Operating income	17.1	14.5	10.3
Other income (expense), net	1.5	(.1)	.7
Income before provision for income taxes and minority interest	18.6	14.4	11.0
Provision for income taxes	6.9	4.7	4.0
Minority interest	.3	--	--
Net income	11.4%	9.7%	7.0%
Unaudited supplemental data(1):			
Income before pro forma provision for income taxes and minority interest	18.6%		
Pro forma provision for income taxes	7.2		
Pro forma minority interest	.2		
Pro forma net income	11.2%		

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(1) Reflects adjustment for federal and state income taxes as if the Company's subsidiaries had been taxed as C corporations rather than as S corporations for the year ended December 31, 1998.

2000 Compared to 1999

Revenue in 2000 decreased 1.6% to $879.8 million from $894.3 million in 1999. The decrease in revenue was due to lower revenue results in Japan and Taiwan, which was partially offset by increased revenue in the United States from the operations of Big Planet, as discussed below. Fluctuations in foreign currency exchange rates positively impacted revenue for 2000 by approximately 4%.

Revenue in North Asia decreased 5.5% to $585.4 million compared to $619.3 million in 1999. This decrease in revenue was due to revenue in Japan decreasing 8.0% to $554.2 million in 2000 from $602.4 million in 1999. In local currency terms, revenue in Japan was 12.5% lower in 2000 versus the prior year. The decrease in revenue in Japan is largely due to continuing challenges with distributor productivity and competition faced by the Company in 1999 and early in the year 2000 as discussed in the 1999 to 1998 comparisons. In addition, economic uncertainty in Japan negatively impacted revenue. In 2000, the Company undertook several initiatives to help stabilize revenue in Japan, including the launch of the Pharmanex business opportunity for distributors early in the year, increased focus on its automatic delivery program and the launch of the Pharmanex web site product (ePharmanex) late in the year and other initiatives. The Company believes these initiatives helped stabilize revenue in the latter half of this year as local currency revenue in Japan in the fourth quarter of 2000 increased slightly compared to the fourth quarter of 1999. The overall decline in revenue in Japan in 2000 was somewhat offset by an increase in revenue in South Korea of 84.6% to $31.2 million in 2000 from $16.9 million in 1999. The revenue increase in South Korea was primarily due to significant new product launches in 2000 including Pharmanex's weight management products and Nu Skin 180, as well as an overall increase in the number of executive level distributors.

Revenue in Southeast Asia totaled $119.5 million for the year ended December 31, 2000, down from revenue of $140.1 million for the year ended December 31, 1999, a decrease of $20.6 million or 14.7%. This decline in revenue was primarily a result of revenue in Taiwan decreasing 19.5% to $83.4 million in 2000 from $103.6 million in 1999. The Company's operations in Taiwan have continued to suffer the impact of increased competition and an overall decline in sales in the direct selling industry in Taiwan, which management believes is largely due to economic concerns throughout Southeast Asia. In addition, direct selling as a distribution channel has significantly penetrated the Taiwanese market. The revenue decline in Southeast Asia was partially offset by the opening of the market in Singapore which generated $1.0 million in revenue in one month of operation in 2000. In addition, the revenue from the Company's retail operations opened in China in 2000 was $1.2 million. Other markets in the region such as Hong Kong, Thailand, the Philippines, Australia and New Zealand were slightly down in 2000 versus 1999 due largely to economic uncertainty in the region as well as a negative foreign currency impact for the year.

Revenue in North America, consisting of the United States and Canada, increased 32.1% to $155.8 million in 2000, from $117.9 million in 1999. This increase in revenue is due to the inclusion of a full year of operations of Big Planet following its acquisition in July 1999 as well as a full year of operations of the Company's North America sales operations following the termination of the license agreements in March 1999. Revenue in the Big Planet division increased $32.9 million due to the timing of the acquisition as well as growth within Big Planet in the year 2000. In addition, revenue in North America, exclusive of Big Planet, increased by $5.0 million due to a full year of revenue from sales to distributors in North America during 2000, following the early 1999 acquisitions. Revenue in the United States decreased sequentially during the last two quarters of the year primarily as a result of the termination of Big Planet's iPhone giveaway and weaker than anticipated sales during the fourth quarter holiday season. The Company made the strategic decision to terminate the iPhone giveaway in order to improve operating profits. Management is optimistic that the Company's global convention in the first quarter of 2001, new product launches and other initiatives planned for the United States will help reverse this revenue trend in 2001.

Revenue in the Company's other markets, which include its European, Latin American and Brazilian operations, increased 12.6% to $19.1 million in 2000. This increase is largely due to a 35% increase in local currency revenue in Europe, more than making up for the negative currency impact experienced in Europe in 2000 from 1999.

Gross profit as a percentage of revenue remained constant at 83.0% for the years ended December 31, 2000 and 1999. The Company's gross margin in 2000 was positively impacted by the strengthening of the Japanese yen and other Asian currencies relative to the U.S. dollar, higher margin sales to distributors in the United States following the termination of the Company's license agreement with Nu Skin USA, increased local manufacturing efforts and reduced duty rates. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currencies. Consequently, the Company is subject to exchange rate risks in its gross margins. This positive impact was offset by the overall growth in revenue from Big Planet in 2000, which includes revenue from lower margin technology products and services.

Distributor incentives as a percentage of revenue increased to 39.2% for the year ended December 31, 2000 from 38.8% for the year ended December 31, 1999. The primary reason for the increase in 2000 was the termination of the Company's license agreement with Nu Skin USA, which resulted in the Company beginning to sell products directly to distributors in the United States and paying the requisite commissions related to those sales. In addition, the Company has enhanced its compensation plan for distributors, adding short-term incentives for emerging distributor leaders. This has led to a slight increase in distributor incentives.

Selling, general and administrative expenses as a percentage of revenue increased to 33.5% in 2000 from 29.7% in 1999. In U.S. dollar terms, selling, general and administrative expenses increased to $294.7 million in 2000 from $265.8 million in 1999. This increase of $28.9 million was due primarily to an additional $18.3 million of selling, general and administrative expenses related to the assumed operations of Big Planet for a full year in 2000 compared to selling, general and administrative expenses from Big Planet following its acquisition in mid-1999. In addition, the Company incurred an incremental $6.7 million of overhead expenses during 2000 compared to 1999 for operations in North America following the acquisition of certain assets from Nu Skin USA in March 1999 and the North American Affiliates in May 1999. Selling, general and administrative expenses also increased due to a stronger Japanese yen in 2000. On a local currency basis, selling, general and administrative expenses in foreign markets declined slightly in 2000 from 1999, but due to a stronger Japanese yen, the U.S. dollar amount of such expenses increased by $4.0 million.

Operating income decreased to $90.4 million for the year ended December 31, 2000 from $129.8 million in 1999. Operating income decreased due to the revenue decreases noted above in "revenue" and the operating expense increases noted in "distributor incentives" and "selling, general and administrative" above.

Other income (expense), net increased $7.4 million for the year ended December 31, 2000 compared to the prior year primarily as a result of the foreign currency gains resulting from favorable exchange rate fluctuations between the U.S. dollar and the Japanese yen within the Company's currency hedging program. In addition, the Company's interest expense decreased by approximately $1.0 million relating to the Company's pay down of its long-term debt.

Provision for income taxes decreased to $34.7 million for the year ended December 31, 2000 from $41.7 million in 1999. This decrease is primarily related to lower income earned in 2000 versus 1999, which was somewhat offset by the lower effective tax rate of 32.5% in 1999 versus 36.0% in 2000. The lower effective tax rate in 1999 was due to the improved ability to utilize foreign tax credits as a result of the Company's global tax restructuring plans in that period.

Net income decreased to $61.7 million for the year ended December 31, 2000 from $86.7 million in 1999. Net income decreased primarily because of the factors noted above in "operating income," and was somewhat offset by the factors noted in "other income (expense), net" and "provision for income taxes" above.

1999 Compared to 1998

Revenue decreased 2.1% to $894.3 million from $913.5 million for the years ended December 31, 1999 and 1998, respectively. The decrease in revenue resulted primarily from a significant decline in local currency revenue in Japan and was somewhat offset by favorable comparative exchange rates and the addition of revenue from Big

Planet after the Big Planet Acquisition in July 1999 and the Company's operations in the United States after the termination of the Company's license agreement with Nu Skin USA in March 1999.

Revenue in North Asia, which consists of Japan and South Korea, decreased 6.9% to $619.3 million in 1999 from $665.5 million in 1998. This decline in revenue was a result of revenue in Japan decreasing $51.8 million or 7.9% to $602.4 million in 1999 from $654.2 million in the prior year. Revenue in Japan in U.S. dollar terms for 1999 benefited from a 12.7% increase in the strength of the Japanese yen relative to the U.S. dollar. In local currency, revenue in Japan decreased 19.7% in 1999 versus 1998. Sales activity in Japan was affected negatively during 1999 by distributor uncertainty concerning the implementation of the Company's divisional model and other issues associated with compensation plan requirements and the Company's effort to enforce distributor policies and procedures. In addition, competitive conditions and weakness in consumer confidence also significantly impacted revenue in Japan. The decline in revenue in Japan was somewhat offset by increases in revenue in South Korea.

Revenue in Southeast Asia, which consists of Taiwan, Thailand, Hong Kong, the Philippines, Australia and New Zealand, totaled $140.1 million for 1999, down from revenue of $159.7 million in 1998, a decrease of $19.6 million. This decline in revenue was primarily a result of revenue in Taiwan decreasing to $103.6 million in 1999 from $119.5 million in the prior year. During 1999, the Company's operations in Taiwan suffered the impact of a devastating earthquake, which occurred during the third quarter of 1999. In addition, operations in Taiwan have continued to suffer the impact of increased competition and an overall decline in sales in the direct selling industry in Taiwan, which management believes is largely due to the uncertainty of the viability of direct selling activities in the People's Republic of China as well as economic concerns throughout Southeast Asia.

Revenue in North America, consisting of the United States and Canada, increased 62.2% to $117.9 million from $72.7 million for the years ended December 31, 1999 and 1998, respectively. This increase in revenue was primarily due to the additional revenue stream of $83.8 million from sales in the United States resulting from the termination of the Company's license agreement with Nu Skin USA, which occurred in March 1999, and the additional revenue of $11.4 million resulting from the Big Planet Acquisition, which occurred in July 1999. This additional revenue more than offset the elimination of revenue from sales to the Company's former affiliates in these markets, which revenue is now eliminated in consolidation. Revenue in the Company's other markets, which include its European, Latin American and Brazilian operations, increased 9.0% to $17.0 million in 1999.

Gross profit as a percentage of revenue was 83.0% for the year ended December 31, 1999 compared to 77.0% for the year ended December 31, 1998. The increase in the gross profit as a percentage of revenue for 1999 resulted from the strengthening of the Japanese yen and other Asian currencies relative to the U.S. dollar, higher margin sales to distributors in the United States following the termination of the Company's license agreement with Nu Skin USA, increased local manufacturing efforts and reduced duty rates. In addition, in 1998, the Company recorded amortization of inventory step-up related to the NSI Acquisition of $21.6 million which did not recur in 1999. The Company's gross margin was negatively impacted by the Big Planet Acquisition, which includes the sale of lower margin technology products and services. The Company purchases a significant majority of goods in U.S. dollars and recognizes revenue in local currency and is consequently subject to exchange rate risks in its gross margins.

Distributor incentives as a percentage of revenue increased to 38.8% for the year ended December 31, 1999 from 36.3% for the year ended December 31, 1998. The primary reason for the increase in 1999 was the termination of the Company's license agreement with Nu Skin USA which resulted in the Company beginning to sell products to distributors in the United States and paying the requisite commissions related to those sales. In addition, the Company has restructured its compensation plan, adding short-term, division-focused incentives, which increased compensation to the Company's entry-level distributors in the latter part of 1999.

Selling, general and administrative expenses as a percentage of revenue increased to 29.7% for the year ended December 31, 1999 from 22.1% for the year ended December 31, 1998. In U.S. dollar terms, selling, general and administrative expenses increased to $265.8 million for the year ended December 31, 1999 from $202.2 million in 1998. This increase was due to stronger foreign currencies in 1999, primarily the Japanese yen, which resulted in higher expenses of approximately $14.2 million in Japan. In addition, selling, general and administrative expenses increased due to $29.5 million in additional overhead expenses relating to the operations in North America following the acquisition of certain assets from Nu Skin USA in March 1999 and operations in Canada, Mexico and Guatemala in May 1999, an additional $14.9 million in 1999 of amortization expense resulting from the Company's acquisitions of NSI, Pharmanex and Big Planet, and an additional $14.1 million of selling, general and administrative expenses in foreign markets relating to the Big Planet Acquisition.

Operating income decreased to $129.8 million for the year ended December 31, 1999 from $156.2 million in 1998 and operating margin decreased to 14.5% for the year ended December 31, 1999 from 17.1% in 1998. Operating income and margin decreased due to the declines in local currency revenue in Japan and the increases in distributor incentives and selling, general and administrative expenses, which more than offset the improvements in gross margins and the expense recorded in 1998 relating to in-process research and development, which did not recur in 1999.

Other income decreased to an expense of $1.4 million for the year ended December 31, 1999 from income of $13.6 million in 1998. This decrease in other income was primarily due to the significant hedging gains recorded in 1998 from forward contracts and intercompany loans resulting from a stronger Japanese yen in relation to the U.S. dollar, which did not recur in 1999.

Provision for income taxes decreased to $41.7 million for the year ended December 31, 1999 from $62.8 million in 1998. This decrease is due to a reduced effective tax rate from 37.0% in 1998 to 32.5% in 1999. This significant decrease in the effective tax rate in 1999 is related to the Company's ability to utilize foreign tax credits as a result of the Company's global tax planning. The pro forma provision for income taxes presents income taxes as if NSI and its affiliates had been taxed as C corporations rather than as S corporations for the year ended December 31, 1998.

Net income decreased to $86.7 million for the year ended December 31, 1999 from $103.9 million in 1998 and net income as a percentage of revenue decreased to 9.7% for the year ended December 31, 1999 from 11.4% in 1998. Net income decreased primarily because of the factors noted above in "operating income" and "other income (expense), net," and was somewhat offset by the factors noted in "provision for income taxes" above.

Liquidity and Capital Resources

Historically, the Company's principal needs for funds have been for distributor incentives, working capital (principally inventory purchases), operating expenses, capital expenditures and the development of operations in new markets. The Company has generally relied on cash flow from operations to meet its business objectives without incurring long-term debt to unrelated third parties to fund operating activities.

The Company typically generates positive cash flow from operations due to favorable gross margins, the variable nature of distributor commissions which comprise a significant percentage of operating expenses and minimal capital requirements. During the first and third quarters of each year, however, the Company pays significant accrued income taxes in many foreign jurisdictions including Japan. These large cash payments often more than offset significant cash generated in these quarters. The Company generated $43.4 million from operations in 2000 compared to $30.3 million in 1999. This increase in cash generated from operations in 2000 compared to the same prior-year period primarily related to reduced foreign taxes paid in Japan as a result of the Company's global tax restructuring plans. The impact of the reduction in foreign taxes paid on cash generated from operations was somewhat offset by lower net income in 2000.

As of December 31, 2000, working capital was $122.8 million compared to $74.6 million as of December 31, 1999. Cash and cash equivalents at December 31, 2000 and 1999 were $64.0 million and $110.2 million, respectively. The decrease in cash and cash equivalents is related primarily to a debt payment of $55.7 million which occurred in March 2000. The increase in working capital is primarily related to the refinancing of the Company's existing credit facility, as described below, as well as the change noted above in cash and cash equivalents.

Capital expenditures, primarily for equipment, computer systems and software, office furniture and leasehold improvements, were $23.0 million for the year ended December 31, 2000. In addition, the Company anticipates capital expenditures in 2001 of approximately $28.0 million to further enhance its infrastructure, including enhancements to computer systems and Internet related software in order to expand the Company's Internet capabilities and to accommodate anticipated future growth.

In March 1998, the Company completed the NSI Acquisition. Pursuant to the terms of the NSI Acquisition, NSI and the Company are required to pay certain contingent payments if specific earnings growth targets are met. The Company and NSI did not meet specific earnings growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specific earnings growth targets during 2001, the Company may pay up to $75.0 million in cash over the next year to the stockholders of NSI. However, management believes it is unlikely that such contingency payments will be made.

On October 12, 2000, the Company refinanced the $87.1 million balance of its existing credit facility with the proceeds of a private placement of $90.0 million of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes are denominated in Japanese yen. The Notes bear interest at an effective rate of 3.03% annually and become due October 2010 with principal payments beginning October 2004. The debt is classified as long-term in the consolidated financial statements as of December 31, 2000.

During 2000, the Company renewed a $10.0 million revolving credit agreement with ABN-AMRO, N.V. Advances are available under the agreement through May 18, 2001 with a possible extension upon approval of the lender. There were no outstanding balances under this credit facility at December 31, 2000.

Since August 1998, the board of directors has authorized the Company to repurchase up to $50.0 million of the Company's outstanding shares of Class A common stock. The repurchases are used primarily to fund the Company's equity incentive plans. During the years ended December 31, 2000 and 1999, the Company repurchased approximately 1,893,000 and 1,364,000 shares for an aggregate price of approximately $12.8 million and $17.1 million, respectively. As of December 31, 2000, the Company had repurchased a total of approximately 4,175,000 shares for an aggregate price of approximately $40.0 million. In addition, in March 1999, in connection with the termination of the license and distribution agreements with Nu Skin USA, the board of directors separately authorized and the Company completed the purchase of approximately 700,000 shares of the Company's Class A common stock from Nu Skin USA and certain stockholders for approximately $10.0 million.

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend will be paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments.

The Company had related party payables of $9.0 million and $15.1 million at December 31, 2000 and 1999, respectively. In addition, the Company had related party receivables of $13.2 million and $16.4 million, respectively, at those dates. These balances are largely related to the Big Planet Acquisition and the Nu Skin USA transactions completed during 1999.

Management considers the Company to be sufficiently liquid to be able to meet its obligations on both a short- and long-term basis. Management currently believes existing cash balances together with future cash flows from operations will be adequate to fund cash needs relating to the implementation of the Company's strategic plans.

Seasonality

In addition to general economic factors, the direct selling industry is impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, Japan, Taiwan, Hong Kong, South Korea and Thailand celebrate their respective local New Year in our first quarter. Management believes that direct selling in Japan, the United States and Europe is also generally negatively impacted during the month of August, which is in the Company's third quarter, when many individuals, including the Company's distributors, traditionally take vacations.

Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated.

	As of December 31, 1998		As of December 31, 1999		As of December 31, 2000	
	Active	Executive	Active(1)	Executive	Active(1)	Executive
North Asia	331,000	17,311	311,000	14,601	301,000	14,968
North America	--	--	54,000	2,547	52,000	2,632
Southeast Asia	120,000	5,091	113,000	3,419	100,000	3,044
Other Markets	19,000	379	16,000	438	22,000	737
Total	470,000	22,781	494,000	21,005	475,000	21,381

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(1) The Big Planet representatives do not necessarily place product orders with the Company for resale to retail customers. Big Planet representatives sign up retail customers for Internet, telecommunications and other services with the Company or its service providers for all products. Therefore, the active distributors for 1999 and 2000 do not include approximately 29,000 and 40,000 Big Planet representatives who have residual sales volume on a three month rolling basis, respectively, for service provided by the Company or its service providers.

Quarterly Results

The following table sets forth certain unaudited quarterly data for the periods shown.

	1999				2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(U.S. dollars in millions, except per share amounts)							
Revenue	$ 233.8	$ 211.3	$ 220.1	$ 229.1	$ 213.6	$ 227.0	$ 215.6	$ 223.6
Gross profit	192.8	175.3	182.5	192.0	179.3	188.4	178.7	184.0
Operating income	47.1	32.4	30.4	19.9	21.5	25.3	23.9	19.7
Net income	30.8	22.0	21.1	12.8	14.9	15.7	15.0	16.2
Net income per share:								
Basic	0.35	0.25	0.25	0.15	0.17	0.18	0.18	0.19
Diluted	0.35	0.25	0.24	0.15	0.17	0.18	0.18	0.19

Currency Risk and Exchange Rate Information

A majority of the Company's revenue and many of the Company's expenses are recognized primarily outside of the United States except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. Each subsidiary's local currency is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, the Company's reported sales and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar.

Given the uncertainty of exchange rate fluctuations, the Company cannot estimate the effect of these fluctuations on the Company's future business, product pricing, results of operations or financial condition. However, because a majority of the Company's revenue is realized in local currencies and the majority of the Company's cost of sales is denominated in U.S. dollars, the Company's gross profits will be positively affected by a weakening in the U.S. dollar and will be negatively affected by a strengthening in the U.S. dollar. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts and through intercompany loans of foreign currency. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results.

The Company's foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of December 31, 2000, the primary currency for which the Company had net underlying foreign currency exchange rate exposure was the Japanese yen. Based on the Company's foreign exchange contracts at December 31, 2000 as discussed in Note 17 of the Notes to the Consolidated Financial Statements, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against such contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures of the Company.

Following are the weighted average currency exchange rates of US $1 into local currency for each of the Company's international or foreign markets in which revenue exceeded US $5.0 million for at least one of the quarters listed:

	1998				1999				2000			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Japan(1)	128.2	135.9	139.5	119.3	116.8	120.8	112.4	104.1	107.1	106.7	107.7	110.1
Taiwan	32.8	33.6	34.5	32.6	32.6	32.7	32.0	31.7	30.8	30.6	31.1	32.4
Hong Kong	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
South Korea	1,585.7	1,392.6	1,327.0	1,278.9	1,197.6	1,189.4	1,195.2	1,170.9	1,124.8	1,115.6	1,115.4	1,165.0

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[FN]

(1) As of March 1, 2001 the exchange rate of US $1 into the Japanese yen was approximately 117.0.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in this Report and Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") which reflect the Company's current expectations and beliefs regarding the future results of operations, performance and achievements of the Company. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

* the Company's belief that existing cash and cash flow from operations will be adequate to fund cash needs;

* management's belief that the Company's global convention and initiatives planned for the United States will help reverse the recent decline in revenue;

* the expectation that the Company will spend $28.0 million for capital expenditures in 2001;

* the belief that the Company is unlikely to pay any further contingent payments to the former NSI Stockholders; and

* the anticipation that cash will be sufficient to pay future dividends.

In addition, when used in this report, the words or phrases, "will likely result," "expects," "anticipates," "will continue," "intends," "plans," "believes," "the Company or management believes," and similar expressions are intended to help identify forward-looking statements.

The Company wishes to caution readers that the risks and uncertainties set forth below, and the other risks and factors described herein and in the Company's other filings with the Securities and Exchange Commission (which contain a more detailed discussion of the risks and uncertainties related to the Company's business) could cause (and in some cases in the past have caused) the Company's actual results and outcomes to differ materially from those discussed or anticipated. The Company also wishes to advise readers not to place any undue reliance on such forward-looking statements, which reflect the Company's beliefs and expectations only as of the date of this report. The Company assumes no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in its beliefs or expectations. Important factors, risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

(a) Because a substantial majority of the Company's sales are generated from the Asian regions, particularly from Japan and Taiwan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by

* renewed or sustained weakness of Asian economies or consumer confidence, and

* weakening of foreign currencies, particularly the Japanese yen, and any inability to implement forward contracts and other hedging strategies to manage foreign currency risk.

(b) There can be no assurances that the business initiatives and strategies that have helped stabilize revenue in Japan during the end of 2000 will stabilize operations or renew growth on a sustained basis or will have a similar effect in other markets such as Taiwan. Many of the initiatives have only been recently introduced and there is still uncertainty concerning the long-term effect of these initiatives. In addition, there is a risk that the continued refinement and implementation of the Company's divisional strategy, Internet initiatives and promotions could create renewed confusion or uncertainty among distributors and not increase distributor productivity.

(c) Risks and uncertainties associated with the Company's e-commerce initiatives. These risks include:

* uncertainty concerning the degree to which such initiatives will increase and sustain levels of distributor interest, activity or retention or generate incremental revenue growth, and

* the risk of technological problems or development issues that could interrupt or delay such initiatives and impede distributor enthusiasm or increase the costs of such initiatives.

(d) The ability of the Company to retain its key and executive level distributors. The Company has experienced a reduction in the number of active and executive distributors. Because the Company's products are distributed exclusively through its distributors, the Company's operating results could be adversely affected if the Company's existing and new business opportunities and products do not generate sufficient economic incentive to retain its existing distributors or to sponsor new distributors on a sustained basis, or if the Company receives adverse publicity.

(e) Risks associated with the Company's new product offerings planned for 2001 and launched at its global convention, including:

* the risk that such products will not gain market acceptance or meet the Company's expectations as a result of increased competition,

* the risk that sales from such product offerings could reduce sales of existing products and not generate significant incremental revenue growth or help increase distributor numbers and productivity, and

* any legal or regulatory restrictions that might delay or prevent the Company from offering its new products into all of its markets or limit the ability of the Company to effectively market such products.

(f) The Company's operations could also be affected by the following risks:

* adverse business or political conditions, continued competitive pressure,

* the maturity of the direct sales channel in certain of the Company's markets,

* changes in laws and regulations (including any increased government regulation of direct selling activities and products in existing and future markets such as the People's Republic of China, or changes in U.S. or foreign tax regulations), and

* the Company's reliance on outside manufacturers.

Nu Skin Enterprises, Inc.
Consolidated Balance Sheets
(U.S. dollars in thousands, except share amounts)

	December 31, 1999	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 110,162	$ 63,996
Accounts receivable	18,160	18,191
Related parties receivable	16,424	13,176
Inventories, net	85,751	82,015
Prepaid expenses and other	52,388	44,513
	282,885	221,891
Property and equipment, net	57,948	60,562
Other assets, net	302,382	308,350
Total assets	$ 643,215	$ 590,803
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 22,685	$ 15,837
Accrued expenses	114,691	74,199
Related parties payable	15,059	9,020
Current portion of long-term debt	55,889	--
	208,324	99,056
Long-term debt, less current portion	89,419	84,884
Other liabilities	36,093	40,130
Total liabilities	333,836	224,070
Commitments and contingencies (Notes 12 and 20)		
Stockholders' equity		
Class A common stock - 500,000,000 shares authorized, $.001 par value, 32,002,158 and 31,338,676 shares issued and outstanding	32	31
Class B common stock - 100,000,000 shares authorized, $.001 par value, 54,606,905 and 53,408,951 shares issued and outstanding	55	54
Additional paid-in capital	119,652	106,284
Accumulated other comprehensive income	(48,220)	(45,347)
Retained earnings	244,758	306,458
Deferred compensation	(6,898)	(747)
	309,379	366,733
Total liabilities and stockholders' equity	$ 643,215	$ 590,803

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Enterprises, Inc.
Consolidated Statements of Income
(U.S. dollars in thousands, except per share amounts)

	Year Ended December 31,		
	1998	1999	2000
Revenue	$ 913,494	$ 894,249	$ 879,758
Cost of sales	188,457	151,681	149,342
Cost of sales-amortization of inventory step-up (Note 3)	21,600	--	--
Gross profit	703,437	742,568	730,416
Operating expenses:			
Distributor incentives	331,448	346,951	345,259
Selling, general and administrative	202,150	265,770	294,744
In-process research and development (Note 4)	13,600	--	--
Total operating expenses	547,198	612,721	640,003
Operating income	156,239	129,847	90,413
Other income (expense), net	13,599	(1,411)	5,993
Income before provision for income taxes and minority interest	169,838	128,436	96,406
Provision for income taxes (Note 15)	62,840	41,742	34,706
Minority interest	3,081	--	--
Net income	$ 103,917	$ 86,694	$ 61,700
Net income per share (Note 2):			
Basic	$ 1.22	$ 1.00	$ 0.72
Diluted	$ 1.19	$ 0.99	$ 0.72
Weighted average common shares outstanding (000s):			
Basic	84,894	87,081	85,401
Diluted	87,018	87,893	85,642
Unaudited pro forma data (Note 15):			
Income before pro forma provision for income taxes and minority interest	$ 169,838		
Pro forma provision for income taxes	65,998		
Pro forma minority interest	1,947		
Pro forma net income	$ 101,893		
Pro forma net income per share:			
Basic	$ 1.20		
Diluted	$ 1.17		

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Enterprises, Inc.
Consolidated Statements of Stockholders' Equity
(U.S. dollars in thousands, except share amounts)

	Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Deferred Compensation	Total Stockholders' Equity
Balance at January 1, 1998	$ 2	$ 12	$ 70	$ 115,053	$ (28,578)	$ 17,788	$ (9,455)	$ 94,892
Net income	--	--	--	--	--	103,917	--	103,917
Foreign currency translation adjustments	--	--	--	--	(15,026)	--	--	(15,026)
Total comprehensive income								88,891
Repurchase of 917,000 shares of Class A common stock (Note 13)	--	--	--	(10,549)	--	--	--	(10,549)
Amortization of deferred compensation	--	--	--	--	--	--	3,626	3,626
Issuance of notes payable to stockholders	--	--	--	--	--	(24,413)	--	(24,413)
Purchase of Acquired Entities and termination of S corporation status	1	--	--	(22,144)	--	60,772	--	38,629
Purchase of Pharmanex (Note 4)	--	4	--	78,710	--	--	(859)	77,855
Exercise of distributor and employee stock options	--	--	--	1,961	--	--	--	1,961
Conversion of preferred stock (Note 3)	(3)	3	--	--	--	--	--	--
Conversion of shares from Class B to Class A	--	15	(15)	--	--	--	--	--
Contingent payments to stockholders (Note 7)	--	--	--	(16,250)	--	--	--	(16,250)
Balance at December 31, 1998	--	34	55	146,781	(43,604)	158,064	(6,688)	254,642
Net income	--	--	--	--	--	86,694	--	86,694
Foreign currency translation adjustments	--	--	--	--	(4,616)	--	--	(4,616)
Total comprehensive income								82,078
Repurchase of 1,985,000 shares of Class A common stock (Note 13)	--	(2)	--	(26,860)	--	--	--	(26,862)
Amortization of deferred compensation	--	--	--	--	--	--	3,692	3,692
Termination of Nu Skin USA license fee (Note 5)	--	--	--	(6,444)	--	--	(650)	(7,094)
Issuance of employee stock awards and options	--	--	--	3,252	--	--	(3,252)	--
Exercise of distributor and employee stock options	--	--	--	2,923	--	--	--	2,923
Balance at December 31, 1999	--	32	55	119,652	(48,220)	244,758	(6,898)	309,379
Net income	--	--	--	--	--	61,700	--	61,700
Foreign currency translation adjustments	--	--	--	--	2,873	--	--	2,873
Total comprehensive income								64,573
Repurchase of 1,893,000 shares of Class A common stock (Note 13)	--	(1)	(1)	(12,763)	--	--	--	(12,765)
Amortization of deferred compensation	--	--	--	--	--	--	5,252	5,252
Exercise of distributor and employee stock options	--	--	--	294	--	--	--	294
Forfeiture of employee stock awards and options	--	--	--	(899)	--	--	899	--
Balance at December 31, 2000	$ --	$ 31	$ 54	$ 106,284	$ (45,347)	$306,458	$ (747)	$ 366,733

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Enterprises, Inc.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

	Year Ended December 31,		
	1998	1999	2000
Cash flows from operating activities:			
Net income	$ 103,917	$ 86,694	$ 61,700
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,768	29,515	32,350
Amortization of deferred compensation	3,626	3,692	5,252
Amortization of inventory step-up	21,600	--	--
Write-off of in-process research and development	13,600	--	--
Income applicable to minority interest	3,081	--	--
Changes in operating assets and liabilities:			
Accounts receivable	(900)	(3,776)	(31)
Related parties receivable	1,215	(4,441)	3,248
Inventories, net	(3,556)	(2,133)	3,736
Prepaid expenses and other	(7,248)	1,033	7,875
Other assets, net	(4,100)	(57,169)	(21,400)
Accounts payable	(8,767)	4,068	(6,848)
Accrued expense	(8,973)	(40,868)	(40,492)
Related parties payable	(10,703)	448	(6,039)
Other liabilities	--	13,236	4,037
Net cash provided by operating activities	118,560	30,299	43,388
Cash flows from investing activities:			
Purchase of property and equipment	(18,320)	(29,719)	(23,030)
Purchase of Pharmanex, net of cash acquired (Note 4)	(28,750)	--	--
Purchase of Big Planet, net of cash acquired (Note 6)	--	(13,571)	--
Payments for lease deposits	(633)	(2,206)	(195)
Receipt of refundable lease deposits	1,650	1,508	255
Net cash used in investing activities	(46,053)	(43,988)	(22,970)
Cash flows from financing activities:			
Payments on long-term debt	(41,634)	(14,545)	(142,821)
Termination of Nu Skin USA license fee (Note 5)	--	(10,000)	--
Payment to stockholders under the NSI Acquisition	--	(25,000)	--
Proceeds from long-term debt	181,538	--	90,000
Repurchase of shares of common stock	(10,549)	(26,862)	(12,765)
Exercise of distributor and employee stock options	1,961	2,923	294
Payment to stockholders for notes payable (Note 7)	(180,000)	--	--
Net cash used in financing activities	(48,684)	(73,484)	(65,292)
Effect of exchange rate changes on cash	(9,296)	8,508	(1,292)
Net increase (decrease) in cash and cash equivalents	14,527	(78,665)	(46,166)
Cash and cash equivalents, beginning of period	174,300	188,827	110,162
Cash and cash equivalents, end of period	$ 188,827	$ 110,162	$ 63,996

The accompanying notes are an integral part of these consolidated financial statements.

1. The Company

Nu Skin Enterprises, Inc. (the "Company") is a leading, global direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements and technology and telecommunications products and services. The Company distributes products throughout the world. The Company's operations are divided into four segments: North Asia, which consists of Japan and South Korea; North America, which consists of the United States and Canada; Southeast Asia, which consists of Australia, Hong Kong (including Macau), New Zealand, the PRC (China), the Philippines, Singapore, Taiwan and Thailand; and Other Markets, which consists of the Company's markets in Brazil, Europe, Guatemala and Mexico (the Company's subsidiaries operating in these countries are collectively referred to as the "Subsidiaries"). The Company was incorporated on September 4, 1996 as a holding company.

As discussed in Note 3, the Company completed the NSI Acquisition on March 26, 1998. Prior to the NSI Acquisition, each of the acquired entities elected to be treated as an S corporation.

As discussed in Note 4, the Company completed the Pharmanex Acquisition on October 16, 1998, which enhanced the Company's involvement with the distribution and sale of nutritional products.

As discussed in Note 5, on March 8, 1999, Nu Skin International, Inc. ("NSI") a subsidiary of the Company, terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA, Inc. ("Nu Skin USA"). Also, in March 1999, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA. In May 1999, the Company acquired Nu Skin Canada, Inc., Nu Skin Mexico, Inc. and Nu Skin Guatemala, Inc. (collectively, the "North American Affiliates").

As discussed in Note 6, the Company completed the Big Planet Acquisition on July 13, 1999, which enabled the Company to provide marketing and distribution of technology-based products and services.

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include reserves for product returns, obsolete inventory and taxes. Actual results could differ from these estimates.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid instruments with original maturities of 90 days or less.

Inventories

Inventories consist primarily of merchandise purchased for resale and are stated at the lower of cost, using the first-in, first-out method, or market. The Company had reserves for obsolete inventory totaling $13,600,000, $7,200,000 and $2,800,000 as of December 31, 1998, 1999 and 2000, respectively.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5-7 years
Computers and equipment	3-5 years
Leasehold improvements	Shorter of estimated useful life or lease term
Vehicles	3-5 years

Expenditures for maintenance and repairs are charged to expense as incurred.

Other assets

Other assets consist primarily of deferred tax assets, deposits for noncancelable operating leases, distribution rights, goodwill and long-term intangibles acquired in the NSI Acquisition (Note 3), the Pharmanex Acquisition (Note 4) and the Big Planet Acquisition (Note 6). The goodwill and intangible assets and distribution rights asset are being amortized on a straight-line basis over their estimated useful lives ranging from 4 to 20 years. The Company assesses the recoverability of long-lived assets by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows attributable to the assets.

Revenue recognition

Revenue is recognized when products are shipped and title passes to independent distributors who are the Company's customers. A reserve for product returns is accrued based on historical experience. The Company generally requires cash or credit card payment at the point of sale. The Company has determined that no allowance for doubtful accounts is necessary. Amounts received prior to shipment and title passage to distributors are recorded as deferred revenue.

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition in Financial Statements, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The implementation of SAB 101 did not significantly impact the Company's revenue recognition policies.

Research and development

The Company's research and development activities are conducted primarily through its Pharmanex division. Research and development costs are expensed as incurred.

Income taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), Accounting for Income Taxes. Under SFAS 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Net income per share

The Company computes earnings per share under Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share. SFAS 128 specifies the computation, presentation and disclosure requirements for earnings per share data. SFAS 128 also requires the presentation of both basic and diluted earnings per share data for entities with complex capital structures. Diluted earnings per share data gives effect to all dilutive potential common shares that were outstanding during the periods presented.

Foreign currency translation

Most of the Company's business operations occur outside of the United States. Each Subsidiary's local currency is considered the functional currency. Since a substantial portion of the Company's inventories are purchased with U.S. dollars in the United States and since the Company is incorporated in the United States, all assets and liabilities are translated into U.S. dollars at exchange rates existing at the balance sheet dates, revenues and expenses are translated at weighted average exchange rates, and stockholders' equity is recorded at historical exchange rates. The resulting foreign currency translation adjustments are recorded as a separate component of stockholders' equity in the consolidated balance sheets, and transaction gains and losses are included in other income and expense in the consolidated financial statements.

Fair value of financial instruments

The fair value of financial instruments including cash and cash equivalents, accounts receivable, related parties receivable, accounts payable, related parties payable and notes payable approximate book values. The carrying amount of long-term debt approximates fair value because the applicable interest rates approximate current market rates. Fair value estimates are made at a specific point of time, based on relevant market information.

Stock-based compensation

The Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, and provides pro forma disclosures of net income and net income per share as if the fair value based method prescribed by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation, had been applied in measuring compensation expense (Note 14).

Reporting comprehensive income

The Company has adopted Statement of Financial Accounting Standards No. 130 ("SFAS 130"), Reporting Comprehensive Income. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources, and it includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Accounting for derivative instruments and hedging activities

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), Accounting for Derivative Instruments and Hedging Activities. The statement requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the intended use of the derivative and its resulting designation. The statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company will adopt SFAS 133 by January 1, 2001. The Company does not anticipate that the adoption of SFAS 133 will have a significant impact on its consolidated financial statements.

3. Acquisition of NSI and Certain Affiliates

On March 26, 1998, the Company completed the acquisition (the "NSI Acquisition") of the capital stock of NSI, NSI affiliates in Europe, South America, Australia and New Zealand and certain other NSI affiliates (the "Acquired Entities") for $70.0 million in preferred stock and long-term notes payable to the stockholders of the Acquired Entities (the "NSI Stockholders") totaling approximately $6.2 million. In addition, contingent upon NSI and the Company meeting specific earnings growth targets, the Company agreed to pay up to $100.0 million in cash during the subsequent four year period to the NSI Stockholders. The Company and NSI met specific earnings growth targets in 1998 resulting in a contingent payment to the NSI Stockholders of $25.0 million. The Company and NSI did not meet specific earnings growth targets for the years ended December 31, 1999 and 2000. Contingent upon NSI and the Company meeting specific earnings growth targets during 2001, the Company may pay up to $75.0 million in cash over the next year to the NSI Stockholders. However, management believes it is unlikely that such contingency payments will be made. The contingent consideration of $25.0 million earned in 1998 was paid in the second quarter of 1999 and has been accounted for as an adjustment to the purchase price and allocated to the assets and liabilities of the Acquired Entities. Any additional contingent consideration paid over the next year, if any, will be accounted for in a similar manner. Also, as part of the NSI Acquisition, the Acquired Entities' S corporation status was terminated, and the Acquired Entities declared distributions to the stockholders that included all of the Acquired Entities' previously earned and undistributed taxable S corporation earnings (the "S Distribution Notes"). The S Distribution Notes assumed as part of the NSI Acquisition totaled approximately $171.3 million and, in addition, the Company incurred acquisition costs totaling $3.0 million. The net assets acquired totaling $90.4 million include net deferred tax liabilities totaling $7.4 million recorded upon the conversion of the Acquired Entities from S to C corporations.

The NSI Acquisition was accounted for by the purchase method of accounting, except for that portion of the Acquired Entities under common control of a group of stockholders, which portion was accounted for in a manner similar to a pooling of interests. The common control group is comprised of the NSI Stockholders who are immediate family members. The minority interest, which represents the ownership interests of the NSI Stockholders who are not immediate family members, was acquired during the NSI Acquisition. Prior to the NSI Acquisition, a portion of the Acquired Entities' net income, capital contributions and distributions (including cash dividends and S Distribution Notes) had been allocated to the minority interest.

For the portion of the NSI Acquisition accounted for by the purchase method, the Company recorded inventory step-up of $21.6 million and intangible assets of $34.8 million. During 1998, the inventory step-up was fully amortized and the Company recorded amortization of intangible assets totaling $1.6 million, $2.6 million and $2.5 million during 1998, 1999 and 2000, respectively.

For the portion of the NSI Acquisition accounted for in a manner similar to a pooling of interests, the excess of purchase price paid over the book value of the net assets acquired was recorded as a reduction of stockholders' equity.

In connection with the restatement of the Company's consolidated financial statements for 1997, the portion of the NSI Acquisition and the resulting Preferred Stock issued to the common control group is reflected as if such stock had been issued on the date of the Company's incorporation on September 4, 1996. On May 5, 1998, the stockholders of the Company approved the automatic conversion of the Preferred Stock issued in the NSI Acquisition into 2,978,159 shares of Class A common stock.

4. Acquisition of Pharmanex, Inc.

On October 16, 1998, the Company completed the acquisition of privately-held Generation Health Holdings, Inc., the parent company of Pharmanex, Inc. (the "Pharmanex Acquisition"), for $77.6 million, which consisted of approximately 3.6 million shares of the Company's Class A common stock, including approximately 261,000 shares issuable upon exercise of options assumed by the Company (Note 14). Also, as part of the Pharmanex Acquisition, the Company assumed approximately $34.0 million in liabilities, the majority of which was settled in cash in connection with the closing, and incurred acquisition costs totaling $1.3 million.

The Pharmanex Acquisition was accounted for by the purchase method of accounting. The Company recorded inventory step-up of $3.7 million and intangible assets of $92.4 million. In addition, the Company allocated $13.6 million to purchased in-process research and development based on a discounted cash-flow method reflecting the stage of completion of the related projects. During 1998, the in-process research and development amount was fully written off and the Company recorded amortization of intangible assets totaling $1.3 million, $6.9 million and $7.2 million during 1998, 1999 and 2000, respectively. The Company recorded amortization of inventory step up of $0.4 million and $3.3 million during 1998 and 1999, respectively.

5. Acquisition of Certain Assets of Nu Skin USA, Inc.

On March 8, 1999, NSI terminated its distribution license and various other license agreements and other intercompany agreements with Nu Skin USA and paid Nu Skin USA a $10.0 million termination fee. Also, on that same date, through a newly formed wholly-owned subsidiary, the Company acquired selected assets of Nu Skin USA in exchange for assuming various accounts payable of Nu Skin USA.

The acquisition of the selected assets and assumption of liabilities and the termination of these agreements has been recorded for the consideration paid, except for the portion of Nu Skin USA which is under common control of a group of stockholders, which portion has been recorded at predecessor basis.

6. Acquisition of Big Planet, Inc.

On July 13, 1999, the Company completed the acquisition of Big Planet, Inc. ("Big Planet") for $29.2 million, which consisted of a cash payment of $14.6 million and a note payable of $14.6 million (the "Big Planet Acquisition"). In addition, the Company loaned Big Planet approximately $4.5 million immediately prior to the closing to redeem the option holders and certain management stockholders of Big Planet.

The Big Planet Acquisition was accounted for by the purchase method of accounting. The Company recorded intangible assets of $47.0 million which will be amortized over a period of 20 years. The Company recorded amortization on the intangible assets relating to the Big Planet Acquisition of $1.1 million and $2.3 million during 1999 and 2000, respectively. Big Planet incurred operating losses of approximately $25.0 million for the year ended December 31, 2000.

7. Related Party Transactions

Scope of related party activity

Prior to the acquisition of certain assets of Nu Skin USA (see Note 5) and the acquisition of the North American Affiliates in 1999, the Company had transactions with these affiliated entities. The transactions with these entities were as follows: (1) The Company sold products and marketing materials. (2) The Company collected trademark royalty fees from these entities on products bearing NSI trademarks that are not purchased from NSI. (3) The Company entered into a distribution agreement with each independent distributor. (4) The Company collected license fees from these entities for the right to use the distributors, and for the right to use the Company's distribution system and other related intangibles. (5) The Company operates a global commission plan whereby distributors' commissions are determined by aggregate worldwide purchases made by downline distributors. Thus, commissions on purchases from the Company earned by distributors located in geographic areas outside those held by the Company were remitted to the Company, which then forwarded these commissions to the distributors. (6) The Company collected fees for management and support services provided to these entities.

The purchase prices paid by the affiliated entities for the purchase of product and marketing materials are determined pursuant to the Distribution Agreement between the Company and the affiliated entities. The selling prices to these affiliated entities of products and marketing materials were determined pursuant to the Wholesale Distribution Agreements between the Company and these affiliated entities. Trademark royalty fees and license fees were charged pursuant to the Trademark/Trade Name License Agreement between the Company and these affiliated entities and the Licensing and Sales Agreement between the Company and these affiliated entities, respectively. The independent distributor commission program is managed by the Company. Charges to the affiliated entities were based on a worldwide commission fee of 42% of product revenue, which covers commissions paid to distributors on a worldwide basis and the direct costs of administering the global compensation plan. Management and support services fees were billed to the affiliated entities pursuant to the Management Services Agreement between the Company and the affiliated entities and consisted of all direct expenses incurred by the Company and indirect expenses allocated to the affiliated entities based on the entities' net sales. The sales revenue, royalties, licenses and management fees charged to the affiliated entities prior to the acquisition were recorded as revenue in the consolidated statements of income and totaled $72,691,000 and $13,610,000 for the years ended December 31, 1998 and 1999, respectively.

Notes payable to stockholders

In connection with the NSI Acquisition described in Notes 1 and 3, the Company assumed S Distribution Notes totaling $171.3 million and long-term notes payable to the NSI Stockholders totaling $6.2 million, both bearing interest at 6.0% per annum. These amounts were paid in full, including accrued interest of $3.3 million, during 1998. Prior to the NSI Acquisition, the Acquired Entities paid $2.5 million of the S Distribution Notes, plus accrued interest of $1.8 million in 1998.

Certain relationships with stockholder distributors

Two major stockholders of the Company have been independent distributors for the Company since 1984. These stockholders are partners in an entity which receives substantial commissions from the Company, including commissions relating to sales within the countries in which the Company operates. By agreement, the Company pays commissions to this partnership at the highest level of distributor compensation to allow the stockholders to use their expertise and reputations in network marketing to further develop the Company's distributor force, rather than focusing solely on their own distributor organizations. The commissions paid to this partnership relating to sales within the countries in which the Company operates were $800,000, $3,331,000 and $3,368,000 for the years ended December 31, 1998, 1999 and 2000, respectively. The increase in the 1999 and 2000 commissions paid to this partnership reflects the amounts paid relating to sales in 1999 and 2000 within the North American countries and Big Planet, which were not included in the amounts in 1998.

Loan to stockholder

The Company has loaned $5.0 million to a non-management stockholder. The loan is partly secured by shares of Class B common stock, and matures in December 2001. Interest accrues at a rate of 6.0% per annum on this loan. The loan balance, including accrued interest, totaled $5.6 million and $6.0 million at December 31, 1999 and 2000, respectively.

Lease agreements

The Company leases corporate office and warehouse space from two affiliated entities. Total lease payments to these two affiliated entities were $3.0 million, $2.8 million and $2.7 million for the years ended December 31, 1998, 1999 and 2000, respectively.

8. Property and Equipment

Property and equipment are comprised of the following (U.S. dollars in thousands):

	December 31, 1999	December 31, 2000
Furniture and fixtures	$ 33,598	$ 35,995
Computers and equipment	64,588	71,377
Leasehold improvements	25,057	23,797
Vehicles	1,414	1,187
	124,657	132,356
Less: accumulated depreciation	(66,709)	(71,794)
	$ 57,948	$ 60,562

Depreciation of property and equipment totaled $11,543,000, $14,148,000 and $16,978,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

9. Other Assets

Other assets consist of the following (U.S. dollars in thousands):

	December 31, 1999	December 31, 2000
Goodwill and intangibles	$198,450	$203,730
Deposits for noncancelable operating leases	10,179	11,837
Distribution rights	8,687	8,750
Deferred taxes	86,341	88,551
Other	15,749	26,063
	319,406	338,931
Less: accumulated amortization	(17,024)	(30,581)
	$302,382	$308,350

Amortization of goodwill and intangible assets totaled $3,248,000, $14,929,000 and $14,934,000 for the years ended December 31, 1998, 1999 and 2000, respectively. Amortization of the distribution rights asset totaled $438,000 for each of the years ended December 31, 1998, 1999 and 2000.

10. Accrued Expenses

Accrued expenses consist of the following (U.S. dollars in thousands):

	December 31, 1999	December 31, 2000
Income taxes payable	$ 18,121	$ 10,756
Accrued commission payments to distributors	39,857	26,425
Other taxes payable	9,385	13,016
Other accruals	47,328	24,002
	$114,691	$ 74,199

11. Long-Term Debt

In 1998, the Company and its Japanese subsidiary Nu Skin Japan Co., Ltd. ("Nu Skin Japan") entered into a $180.0 million credit facility with a syndicate of financial institutions. This unsecured credit facility was used to satisfy Company liabilities which were assumed as part of the NSI Acquisition. The Company borrowed $110.0 million and Nu Skin Japan borrowed the Japanese yen equivalent of $70.0 million denominated in local currency. Payments totaling $41.6 million, $14.5 million and $55.7 million were made during 1998, 1999 and 2000, respectively, relating to the $180.0 million credit facility.

On October 12, 2000, the Company refinanced the $87.1 million remaining balance of its existing credit facility with the proceeds of a private placement of $90.0 million of ten-year senior notes (the "Notes") to The Prudential Insurance Company of America. The Notes are denominated in Japanese yen. The Notes bear interest at an effective rate of 3.03% annually and become due October 2010 with principal payments beginning October 2004. The debt is classified as long-term in the consolidated financial statements as of December 31, 2000. Interest expense relating to the long-term debt totaled $4.7 million, $5.7 million and $4.8 million for the years ended December 31, 1998, 1999 and 2000, respectively.

The Notes contain other terms and conditions and affirmative and negative financial covenants customary for credit facilities of this type. As of December 31, 2000, the Company is in compliance with all financial covenants under the Notes.

During 2000, the Company renewed a $10.0 million revolving credit agreement with ABN-AMRO, N.V. Advances are available under the agreement through May 18, 2001, with a possible extension upon approval of the lender. There were no outstanding balances under this credit facility at December 31, 2000.

Maturities of long-term debt at December 31, 2000 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2001 - 2003	$ --
2004	12,126
2005	12,126
Thereafter	60,632
Total	$ 84,884

12. Lease Obligations

The Company leases office space and computer hardware under noncancelable long-term operating leases. Most leases include renewal options of up to three years. Minimum future operating lease obligations at December 31, 2000 are as follows (U.S. dollars in thousands):

Year Ending December 31,	
2001	$ 9,300
2002	7,062
2003	4,726
2004	2,754
2005	2,094
Total minimum lease payments	$ 25,936

Rental expense for operating leases totaled $15,969,000, $18,354,000 and $20,683,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

13. Capital Stock

The Company's authorized capital stock consists of 25 million shares of preferred stock, par value $.001 per share, 500 million shares of Class A common stock, par value $.001 per share and 100 million shares of Class B common stock, par value $.001 per share. The shares of Class A common stock and Class B common stock are identical in all respects, except for voting rights and certain conversion rights and transfer restrictions, as follows: (1) each share of Class A common stock entitles the holder to one vote on matters submitted to a vote of the Company's stockholders and each share of Class B common stock entitles the holder to ten votes on each such matter; (2) stock dividends of Class A common stock may be paid only to holders of Class A common stock and stock dividends of Class B common stock may be paid only to holders of Class B common stock; (3) if a holder of Class B common stock transfers such shares to a person other than a permitted transferee, as defined in the Company's Certificate of Incorporation, such shares will be converted automatically into shares of Class A common stock; and (4) Class A common stock has no conversion rights; however, each share of Class B common stock is convertible into one share of Class A common stock, in whole or in part, at any time at the option of the holder.

Weighted average common shares outstanding

The following is a reconciliation of the weighted average common shares outstanding for purposes of computing basic and diluted net income per share (in thousands):

	Year Ended December 31,		
	1998	1999	2000
Basic weighted average common shares outstanding	84,894	87,081	85,401
Effect of dilutive securities:			
Stock awards and options	2,124	812	241
Diluted weighted average common shares outstanding	87,018	87,893	85,642

Repurchase of common stock

Since August 1998, the board of directors has authorized the Company to repurchase up to $50.0 million of the Company's outstanding shares of Class A common stock. The repurchases are used primarily to fund the Company's equity incentive plans. During the years ended December 31, 1999 and 2000, the Company repurchased approximately 1,364,000 and 1,893,000 shares for an aggregate price of approximately $17.1 million and $12.8 million, respectively. As of December 31, 2000, the Company had repurchased a total of approximately 4,175,000 shares for an aggregate price of approximately $40.0 million. In addition, in March 1999, in connection with the termination of the license and distribution agreements with Nu Skin USA, the board of directors separately authorized and the Company completed the purchase of approximately 700,000 shares of the Company's Class A common stock from Nu Skin USA and certain stockholders for approximately $10.0 million.

Conversion of common stock

In December 1998, the holders of the Class B common stock converted 15.0 million shares of Class B common stock to Class A common stock.

14. Equity Incentive Plans

During the year ended December 31, 1996, the Company's board of directors adopted the Nu Skin Enterprises, Inc. 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. As of December 31, 2000, approximately 3.5 million shares were available for grant under this plan.

Effective November 21, 1996, the Company implemented a one-time distributor equity incentive program which provided for grants of options to selected distributors for the purchase of 1,605,000 shares of the Company's Class A common stock. The options are exercisable at a price of $5.75 per share and vested one year from the effective date. The Company recorded distributor stock expense of $19.9 million over the vesting period. As of December 31, 2000, approximately 641,000 of these options had been exercised.

Pursuant to the Pharmanex Acquisition, the Company assumed outstanding options under two stock option plans. The options were converted into the right to purchase approximately 261,000 shares of Class A common stock.

A summary of the Company's stock option plans as of December 31, 1998, 1999 and 2000 and changes during the years then ended, is presented below:

	1998		1999		2000	
	Shares (in 000s)	Weighted Average Exercise Price	Shares (in 000s)	Weighted Average Exercise Price	Shares (in 000s)	Weighted Average Exercise Price
Outstanding - beginning of year	2,112.3	$ 7.72	3,570.3	$ 10.82	5,071.6	$ 13.53
Granted at fair value	1,890.5	13.87	2,319.1	17.00	1,969.7	7.41
Exercised	(394.3)	5.73	(410.2)	5.07	(31.1)	5.59
Forfeited/Canceled	(38.2)	10.17	(407.6)	10.17	(1,183.1)	16.04
Outstanding - end of year	3,570.3	10.82	5,071.6	13.53	5,827.1	11.01
Options exercisable at year-end	1,948.5	$ 5.92	2,146.2	$ 6.83	2,056.9	$ 9.65

The following table summarizes information concerning outstanding and exercisable options at December 31, 2000:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Shares (in 000s)	Weighted Average Exercise Price	Weighted Average Years Remaining	Shares (in 000s)	Weighted Average Exercise Price
$0.92 to $5.75	1,252.2	$ 4.92	5.95	1,229.5	$ 4.94
$6.56 to $11.00	1,996.1	7.43	9.42	21.3	11.00
$12.00 to $16.00	1,447.3	13.55	8.29	449.9	13.61
$17.00 to $28.50	1,131.5	20.80	8.13	356.2	20.84
	5,827.1	11.01	8.14	2,056.9	9.65

The Company accounts for stock-based compensation in accordance with the provisions of APB 25. The Company recorded expense in the amount of $220,000, $579,000 and $703,000 in 1998, 1999 and 2000, respectively, in connection with options granted under the Company's equity incentive plans. As of December 31, 2000, approximately $747,000 remains to be amortized over the remaining vesting periods of the options. Had compensation expense been determined based on the fair value at the grant dates as prescribed in SFAS 123, the Company's results for the years ended December 31 would have been as follows:

	1998	1999	2000
Pro forma net income (in 000s)	$ 103,023	$ 84,456	$ 52,430
Pro forma earnings per share:			
Basic	$ 1.21	$ 0.97	$ 0.61
Diluted	$ 1.18	$ 0.97	$ 0.61

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	1998	1999	2000
Risk-free interest rate	4.5%	6.8%	6.2%
Expected life	3.4 years	2.7 years	4.0 years
Expected volatility	48.0%	80.0%	85.0%
Expected dividend yield	--	--	--

The weighted-average grant date fair values of options granted during 1998, 1999 and 2000 were $7.88, $10.56 and $4.72, respectively.

Since the Company's initial public offering in 1996, the Company has granted stock awards of its Class A common stock to employees. In total, approximately 686,000 shares were issued in this program, and the awards vested ratably over a one to four year period. The Company recorded compensation expense of $1.2 million and $2.7 million for the years ended December 31, 1998 and 1999, respectively, and the remaining compensation expense of $2.8 million for the year ended December 31, 2000 relating to these stock awards.

Effective February 1, 2000, the Company's board of directors adopted the Employee Stock Purchase Plan (the "Purchase Plan"), which provides for the issuance of a maximum of 200,000 shares of Class A common stock. Eligible employees can have up to 15% of their earnings withheld, up to certain maximums, to be used to purchase shares of the Company's Class A common stock on every April 30th, July 31st, October 31st or January 31st (the "Purchase Date"). The price of the Class A common stock purchased under the Purchase Plan will be equal to 85% of the lower of the fair market value of the Class A common stock on the commencement date of each three month offering period or Purchase Date. During 2000, approximately 20,000 shares were purchased at prices ranging from $4.62 to $7.75 per share. At December 31, 2000, approximately 180,000 shares were available under the Purchase Plan for future issuance.

15. Income Taxes

Consolidated income before provision for income taxes consists of income earned primarily from international operations. The provision for current and deferred taxes for the years ended December 31, 1998, 1999 and 2000 consists of the following (U.S. dollars in thousands):

	1998	1999	2000
Current			
Federal	$ 3,695	$ 3,030	$ 1,677
State	3,580	3,030	1,589
Foreign	72,317	56,165	36,503
	79,592	62,225	39,769
Deferred			
Federal	(10,712)	(19,008)	4,337
State	(48)	(215)	836
Foreign	947	(1,260)	(10,236)
Change in tax status	(6,939)	--	--
Provision for income taxes	$ 62,840	$ 41,742	$ 34,706

Prior to the reorganization of the initial companies to form the Company (the "Reorganization") and the NSI Acquisition described in Notes 3 and 7, the Subsidiaries elected to be taxed as S corporations whereby the income tax effects of the Subsidiaries' activities accrued directly to their stockholders; therefore, adoption of SFAS 109 required no establishment of deferred income taxes since no material differences between financial reporting and tax bases of assets and liabilities existed. Concurrent with the Company's Reorganization and the NSI Acquisition, the Company terminated the S corporation elections of its Subsidiaries. As a result, deferred income taxes under the provisions of SFAS 109 were established.

The principal components of deferred tax assets are as follows (U.S. dollars in thousands):

	December 31, 1999	December 31, 2000
Deferred tax assets:		
Inventory differences	$ 12,224	$ 5,164
Foreign tax credit	40,503	60,278
Distributor stock options and employee stock awards	5,261	6,723
Capitalized legal and professional	2,570	1,427
Accrued expenses not deductible until paid	12,632	14,154
Withholding tax	8,897	2,142
Minimum tax credit	10,264	10,739
Net operating losses	11,017	7,096
Total deferred tax assets	103,368	107,723
Deferred tax liabilities:		
Foreign deferred tax	11,657	14,816
Exchange gains and losses	3,566	5,880
Cost of goods sold adjustment	--	3,220
Pharmanex intangibles step-up	21,116	18,880
Other	4,067	6,149
Total deferred tax liabilities	40,406	48,945
Valuation allowance	--	--
Deferred taxes, net	$ 62,962	$ 58,778

The consolidated statements of income include a pro forma presentation for income taxes, including the effect on minority interest, which would have been recorded if the Company's Subsidiaries had been taxed as C corporations for all periods presented. A reconciliationof the Company's pro forma effective tax rate for the year ended December 31, 1998 and the actual tax rate for the years ended December 31, 1999 and 2000 compared to the statutory U.S. Federal tax rate is as follows:

	Year Ended December 31,		
	1998	1999	2000
Income taxes at statutory rate	35.00%	35.00%	35.00%
Foreign tax credit limitation (benefit)	4.40	(7.77)	--
Cumulative effect of change in tax status	(4.09)	--	--
Pharmanex in-process research and development	2.80	--	--
Non-deductible expenses	.83	1.72	1.92
Branch remittance gains and losses	(1.38)	3.78	(.03)
Other	(.56)	(.23)	(.89)
	37.00%	32.50%	36.00%

16. Employee Benefit Plan

The Company has a 401(k) defined contribution plan which permits participating employees to defer up to a maximum of 15% of their compensation, subject to limitations established by the Internal Revenue Code. Employees who work a minimum of 1,000 hours per year, who have completed at least one year of service and who are 21 years of age or older are qualified to participate in the plan. The Company matches 100% of the first 2% and 50% of the next 2% of each participant's contributions to the plan. Participant contributions are immediately vested. Company contributions vest based on the participant's years of service at 25% per year over four years. The Company's contribution totaled $829,000, $910,000 and $979,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

17. Derivative Financial Instruments

The Company's Subsidiaries enter into significant transactions with each other and third parties which may not be denominated in the respective Subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of foreign currency exchange contracts and through certain intercompany loans of foreign currency. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results. Gains and losses on foreign currency forward contracts and certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At December 31, 1999 and 2000, the Company held foreign currency forward contracts with notional amounts totaling approximately $31.1 million and $28.9 million, respectively, to hedge foreign currency items. These contracts do not qualify as hedging transactions and, accordingly, have been marked to market. The net gain on foreign currency forward contracts was $2.6 million for the year ended December 31, 1998, the net loss on foreign currency forward contracts was $0.3 million for the year ended December 31, 1999 and the net gain on foreign currency forward contracts was $4.5 million for the year ended December 31, 2000. These contracts at December 31, 2000 have maturities through July 2001.

18. Supplemental Cash Flow Information

Cash paid for interest totaled $3,731,000, $5,714,000 and $4,194,000 for the years ended December 31, 1998, 1999 and 2000, respectively. Cash paid for income taxes totaled $77,271,000, $76,596,000 and $30,860,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

Noncash investing and financing activities

For the year ended December 31, 1998, noncash investing and financing activities were as follows: (1) $37.6 million distribution to the stockholders of the Acquired Entities (Note 3). (2) Purchase of Acquired Entities for $70.0 million in Preferred Stock and $6.2 million in long-term notes payable. Net assets acquired totaled $90.4 million and assumed liabilities totaled $171.3 (Note 3). (3) $25.0 million in contingent consideration issued to the NSI Stockholders. $8.8 million of the contingent payment was recorded as an increase in intangible assets and $16.2 million of the contingent payment was recorded as a reduction of stockholders' equity (Notes 3 and 7). (4) Purchase of Pharmanex for $77.6 million in Class A common stock and $0.2 million in cash. Net assets acquired totaled $3.6 million and assumed liabilities totaled $34.0 million (Note 4).

For the year ended December 31, 1999, noncash investing and financing activities included the purchase of Big Planet for $29.2 million of which $14.6 million consisted of a note payable (Note 6).

19. Segment Information

As described in Note 1, the Company's operations throughout the world are divided into four reportable segments: North Asia, North America, Southeast Asia and Other Markets. Segment data includes intersegment revenue, intersegment profit and operating expenses and intersegment receivables and payables. The Company evaluates the performance of its segments based on operating income. Information as to the operations of the Company in each of the four segments is set forth below (U.S. dollars in thousands):

	Year Ended December 31,		
	1998	1999	2000
Revenue			
North Asia	$ 665,523	$ 619,283	$ 585,373
North America	280,115	320,630	386,498
Southeast Asia	320,606	265,604	271,246
Other Markets	15,616	16,960	19,075
Eliminations	(368,366)	(328,228)	(382,434)
Totals	$ 913,494	$ 894,249	$ 879,758

	Year Ended December 31,		
	1998	1999	2000
Operating Income			
North Asia	$ 89,075	$ 84,396	$ 42,331
North America	55,051	12,457	18,708
Southeast Asia	19,385	31,922	27,001
Other Markets	(8,057)	(6,924)	(7,295)
Eliminations	785	7,996	9,668
Totals	$ 156,239	$ 129,847	$ 90,413

	December 31, 1999	December 31, 2000
Total Assets		
North Asia	$ 116,918	$ 83,941
North America	508,825	471,221
Southeast Asia	111,204	76,279
Other Markets	12,007	13,039
Eliminations	(105,739)	(53,677)
Totals	$ 643,215	$ 590,803

Information as to the Company's operations in different geographical areas is set forth below (U.S. dollars in thousands):

Revenue

Revenue from the Company's operations in Japan totaled $654,168, $602,411 and $554,210 for the years ended December 31, 1998, 1999 and 2000, respectively. Revenue from the Company's operations in Taiwan totaled $119,511, $103,581 and $83,436 for the years ended December 31, 1998, 1999 and 2000, respectively. Revenue from the Company's operations in the United States (which includes intercompany revenue) totaled $280,115, $316,128 and $380,785 for the years ended December 31, 1998, 1999 and 2000, respectively.

Long-lived assets

Long-lived assets in Japan were $29,314 and $23,782 as of December 31, 1999 and 2000, respectively. Long-lived assets in Taiwan were $3,381 and $3,235 as of December 31, 1999 and 2000, respectively. Long-lived assets in the United States were $310,255 and $313,415 as of December 31, 1999 and 2000, respectively.

20. Commitments and Contingencies

The Company is subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising and to the Company's direct selling system. The Company is also subject to the jurisdiction of numerous foreign tax authorities. Any assertions or determination that either the Company or the Company's distributors is not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on the Company's operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. Although management believes that the Company is in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which it operates, no assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position or results of operations or cash flows.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

COMMON STOCK. The Company's Class A common stock is listed on the New York Stock Exchange ("NYSE") and trades under the symbol "NUS". The Company's Class B common stock has no established trading market. The following table is based upon information available to the Company and sets forth the range of the high and low sales prices for the Company's Class A common stock for the quarterly periods during 1999 and 2000 based upon quotations on the NYSE.

Quarter Ended	High	Low
March 31, 1999	$ 25.25	$ 17.75
June 30, 1999	22.88	15.50
September 30, 1999	22.00	10.69
December 31, 1999	14.63	8.50

Quarter Ended	High	Low
March 31, 2000	$ 10.38	$ 7.88
June 30, 2000	8.25	5.75
September 30, 2000	7.50	5.50
December 31, 2000	6.75	4.25

The market price of the Company's Class A common stock is subject to significant fluctuations in response to variations in the Company's quarterly operating results, general trends in the market for the Company's products and product candidates, economic and currency exchange issues in the foreign markets in which the Company operates and other factors, many of which are not within the control of the Company. In addition, broad market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for the Company's Class A common stock, regardless of the Company's actual or projected performance.

The closing price of the Company's Class A common stock on March 9, 2001 was $8.01. The approximate number of holders of record of the Company's Class A common stock and Class B common stock as of March 9, 2001 was 896 and 57, respectively. This number of record holders does not represent the actual number of beneficial owners of shares of the Company's Class A common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

In February 2001, the board of directors authorized the Company to declare a quarterly cash dividend of $0.05 per share for all classes of common stock. This initial quarterly cash dividend was be paid on March 28, 2001, to stockholders of record on March 12, 2001. Management believes that cash flows from operations will be sufficient to fund this and future dividend payments.

EXHIBIT 21

Subsidiaries of Registrant

Nu Family Benefits Insurance Brokerage, Inc., a Utah corporation

Nu Skin Argentina, Inc., a Utah corporation with an Argentina branch

Nu Skin Asia Investment, Inc., a Delaware corporation

Nu Skin Australia, Inc., a Utah corporation

Nu Skin Belgium, NV, a Belgium corporation

Big Planet, Inc., a Delaware corporation

Nu Skin Brazil, Ltda., a Brazil corporation

Nu Skin Canada, Inc., a Utah corporation

Cedar Meadows LLC, a Utah limited liability company

Nu Skin Chile, S.A., a Chilean corporation

Cygnus Resources, Inc., a Delaware corporation

NSE Domain, Ltd., a Cayman Island corporation

Nu Skin Domain, Ltd., a Cayman Island corporation

Nu Skin Enterprises Singapore Pte. Ltd., a Singapore corporation

Nu Skin Europe, Inc., a Delaware corporation

Nu Skin France, SARL, a French corporation

Nu Skin (FCS), Inc., a Barbados corporation

Nu Skin Germany, GmbH, a German corporation

Nu Skin Guatemala, Inc., a Delaware corporation

NSE Hong Kong, Inc., a Utah corporation

Nu Skin International, Inc., a Utah corporation

Nu Skin International Management Group, Inc., a Utah corporation

Nu Skin Italy, Srl, an Italy corporation

Nu Skin Japan Company Limited, a Japanese corporation

Nu Skin Japan, Limited, a Japanese corporation

NSE Korea, Ltd., a Delaware corporation

NSE Korea, Ltd., a Korean corporation

Nu Skin Mexico, Inc., a Delaware corporation

Nu Skin Netherlands, B.V., a Netherlands corporation

Nu Skin New Zealand, Inc., a Utah corporation

Pharmanex,LLC, a Delaware limited liability company

Pharmanex Domain, Ltd., a Cayman Island corporation

Nu Skin Philippines, Inc., a Delaware corporation with a Philippines branch

Nu Skin Poland Sp. z o.o., a Poland corporation

Sage Acquisition Corporation, a Delaware corporation

Nu Skin Scandinavia A.S., a Denmark corporation

Shanghai Harmony, Chinese joint venture company

Nu Skin Spain, S.L., a Spain corporation

Nu Skin Taiwan, Inc., a Utah corporation

Nu Skin Personal Care (Thailand), Ltd., a Delaware corporation

Nu Skin Personal Care (Thailand), Ltd., a Thailand corporation

Nu Skin U.K., Ltd., a United Kingdom corporation

Nu Skin United States, Inc., a Delaware corporation

Zhejiang Cinogen Pharmaceutical Co., Ltd., a Sino-American joint venture

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-12073) and in the Registration Statements on Form S-8 (Nos. 333-48611, 333-68407, and 333-95033) of Nu Skin Enterprises, Inc. of our report dated February 12, 2001 relating to the financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah
March 26, 2001