



Are you sitting down ?



We intend to double our revenue by 2006—and that's just one of our five-year goals. We're looking forward. Thinking ahead. We evaluated our resources and potential as a company, then set five strategic goals that capitalize on the attributes that set us apart in the direct selling industry. Premium products. High caliber distributor force. Seamless, global opportunity. These strengths are the lifeblood of Nu Skin Enterprises—and the catalysts that will empower us to reach our goals. Of course, we'll have to stretch. But these goals are well within our reach. Just look at the rather interesting facts that we've included. These details capture the magnitude of the industries in which we operate and reflect the possibilities our goals afford. So sit back. Be intrigued. Maybe even inspired.

EVERY DAY
in the personal care industry
765,000 GALLONS OF
lotion

ARE PURCHASED—ENOUGH TO KEEP
OLD FAITHFUL ERUPTING
FOR THREE DAYS

THE RECENT ANNUAL GROWTH RATE OF GLOBAL
SALES IN THIS INDUSTRY WAS 5 PERCENT.





EVERY DAY
in the nutrition industry
380,000 CUBIC FEET OF
supplements
ARE PURCHASED—ENOUGH TO FILL
THE LEANING
TOWER OF PISA

THE RECENT ANNUAL GROWTH RATE OF GLOBAL
SALES IN THIS INDUSTRY WAS 6 PERCENT.





EVERY DAY

in the technology industry

\$140 MILLION OF

Internet-related services

ARE PURCHASED—ENOUGH TO LAUNCH
ONE COMMUNICATIONS
SATELLITE INTO ORBIT

THE RECENT ANNUAL GROWTH RATE OF GLOBAL
SALES IN THIS INDUSTRY WAS 29 PERCENT.





Steven Lund
President and CEO



Blake Roney
Chairman

DURING A TIME OF GLOBAL ECONOMIC DIFFICULTY, WE ARE PLEASED TO REPORT THAT OUR REVENUE WAS UP 9 PERCENT AND EARNINGS PER SHARE WERE UP 8 PERCENT IN CONSTANT CURRENCY IN 2001. HOWEVER, FOREIGN CURRENCY FLUCTUATIONS—PARTICULARLY THE WEAKENING OF THE JAPANESE YEN—NEGATIVELY IMPACTED REPORTED

results and masked revenue gains in most of our markets. For the year, we reported revenue of \$886 million and earnings per share of \$0.60. All regions outside North America posted solid constant currency revenue growth for the year. Our fastest expanding market was South Korea. Opened in 1996, South Korea reported local currency revenue gains of 67 percent—on top of 76 percent local currency growth in 2000. Europe posted a more than 42 percent increase in local currency revenue. Southeast Asia was up 28 percent in constant currency with strong growth in Thailand, Singapore, and Hong Kong. Business in Japan increased local currency revenue by three percent in 2001 and was up 6 percent in the last six months of the year. The company's gains in 2001 are a reflection of our business model's continuing viability, a strong global distributor force, loyal employees, and our successful expansion into new markets.

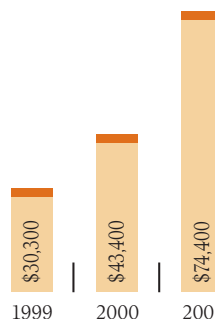
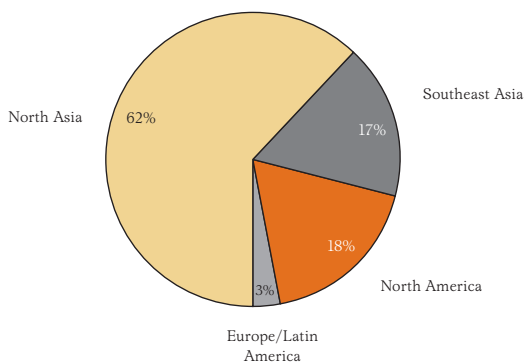
Our increased revenue is also directly related to the expanding number of executive distributors. In 2001, we increased the number of these distributor leaders to 24,839—a 16 percent increase over 2000. Except for North America, all of our regions posted year-over-year executive distributor growth. In the Southeast Asia region, executives increased by 49 percent, which was largely due to the successful opening of Singapore in late 2000. The decline of executive distributors in North America is due primarily to attrition among distributors acquired in early 2000 in connection with our assumption of I-Link's enhanced telecommunications direct sales force.

In 2001, our total sales force was 558,000 distributors strong—a 12 percent increase in active distributors over the previous year. Every region in the world reported year-over-year growth in active distributors. Our distributor growth comes as a result of several factors, including emphasis on a monthly automatic delivery program (ADP). For example, in Japan, distributors who participate in automatic delivery of monthly orders for 12 months are nearly four times more likely to become executive distributors than non-participating distributors. In 2001, ADP orders represented 30 percent of our global nutrition revenue.

Our investment in technology, which sets us apart from our direct selling competitors, and its applications are also helping increase our executive and active distributor counts. We expect to strengthen our position as we continue to use technology in innovative ways. In 2001, we set up 57,000 Internet sites for our distributors, and today more than 70 percent of our distributor leaders use their personalized websites to promote and manage their businesses.

Our commitment to innovation is also reflected through the investment we make in applying a greater level of science to Nu Skin and Pharmanex products. With dozens of scientists focused on product innovation, we were able to achieve a key 2001 corporate priority by having nearly 40 percent of fourth quarter revenue come from new and reformulated products launched during the year.

REVENUE BY GEOGRAPHY



CASH FROM OPERATIONS
U.S. DOLLARS IN THOUSANDS

9%

The company posted 9 percent local currency revenue gains in 2001 with 29 of the 34 countries in which we operate experiencing growth.

40%

In 2001, nearly 40 percent of fourth quarter revenue came from new and reformulated products launched during the year.

For Nu Skin, our personal care division, six of its top 15 products in the fourth quarter were launched in 2001. These include the Nu Skin Galvanic Spa System™ which provides an at-home spa facial to help the skin look refreshed and radiant, and daily skin care products fortified with topically applied nutrients. Nu Skin also updated its line of hair care products during the year.

Pharmanex, our nutritional products division, also brought important new and reformulated products to the market in 2001. New anti-aging ingredients were added to LifePak®—Pharmanex’s flagship product—and in Japan, LifePak was upgraded from tablets to consumer preferred capsules. Pharmanex also entered the \$5 billion weight management category by launching Body Design™ a system that incorporates proper nutrition, strength training, and aerobic exercise. The Pharmanex research team remains focused on providing additional weight management products, which should yield greater penetration in this category.

Our distributor leaders understand how to use the excitement of Big Planet’s Internet, e-commerce, technology, and telecommunications products to recruit new distributors. These distributors are then motivated to generate sales from all of our product lines, including the full range of Nu Skin and Pharmanex products. We continue to believe that Internet, e-commerce, and other Big Planet products and services will be significant competitive advantages for our global business in the years to come.

Another 2001 corporate priority was to revitalize our U.S. market. This remains our top corporate priority. Although our revenue in the United States remained even with the prior year, we are disappointed with these results because we know the market has much more potential. In May 2001, we realigned our management structure to clarify the roles of the geographic and division leadership teams in driving U.S. revenue. The new U.S. management team launched initiatives on September 1, 2001, which were designed to stimulate revenue growth. This effort was interrupted by the tragic events of September 11, 2001. Despite this interruption, we remain committed to returning growth to our home market.

As we look at 2002, weak foreign currencies may again impact our reported results. We anticipate revenue growth in the mid single-digits on a reported basis, reflecting a weaker Japanese yen in 2002, but double-digit revenue growth on a constant currency basis. We have set our reported earnings growth rate target in the low double-digits, which will include the positive impact of the accounting treatment on amortization of goodwill. We expect to achieve our earnings target by keeping our gross margin in the 79–80 percent range and distributor incentives at 39 percent of revenue. Selling, general, and administrative (SG&A) expenses will remain level with 2001 in dollar terms, but we plan to reduce SG&A to 30–31 percent of revenue by the end of the year, resulting in a 10 percent operating margin for the year.

Our vision for the future is to become the world's leading direct selling company. As we strive to achieve this, we are focused on the following five-year goals:

\$2 billion in revenue

1.4 million active distributors

13 percent operating margin

50 percent of revenue from products currently in development

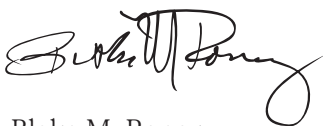
50,000 executive distributors

Within five years, new markets—particularly China—are expected to represent a significant part of our business. We are beginning to execute strategies in China as well as in Eastern Europe that we believe will allow us to gain significant market share in these new geographies. In addition to new markets, we plan to grow revenue in our existing markets at a compound annual rate of 14 percent to achieve our goal. A driving force of this revenue growth is the continued increase of our active and executive level distributor count in each of our markets.

Key to achieving our operating margin goal is the continued improvement of employee productivity, which is largely driven by Internet technology initiatives. Today, almost half of all orders processed in Japan are automated through the Internet or ADP. This shift to automated ordering saved the company approximately 150,000 employee hours in 2001—the equivalent of 70 full-time employees—in Japan alone.

As in 2001, an important element to our growth is strong and consistent product introductions. We believe the leadership and expertise found within each of our divisions will allow us to offer our distributors and their customers products that will drive revenue growth and enhance our ability to attract and retain new distributors.

Our success in 2002 and over the next five years will come as it did in 2001—by simplifying our business, introducing new and exceptional products, and offering our distributors the technology and tools they need to differentiate our business opportunities from other direct selling companies. Our corporate strengths are exceptional distributor leadership, innovative products, and technology applications. By continuing to foster these basic elements of our business, we are sure to find success in 2002 and beyond.



Blake M. Roney
Chairman



Steven J. Lund
President and CEO

FINANCIAL HIGHLIGHTS

Our mission is to act as a force for good throughout the world. We achieve this goal by selling exceptional products, providing rewarding direct selling business opportunities, and supporting distributors, stockholders, consumers, and employees in ways that improve their quality of life.

LOOK NU SKIN enhances the way people look through innovative personal care products that provide meaningful physical and emotional rewards.

2001 REVENUE: \$423.7 MILLION

FEEL PHARMANEX improves the way people feel through science-based products designed to enhance wellness, promote longevity, and help people achieve healthier, more productive lives.

2001 REVENUE: \$396.3 MILLION

LIVE BIG PLANET enables people to live better by supplying technology-enhanced consumer products and services that bring convenience and efficiency to life.

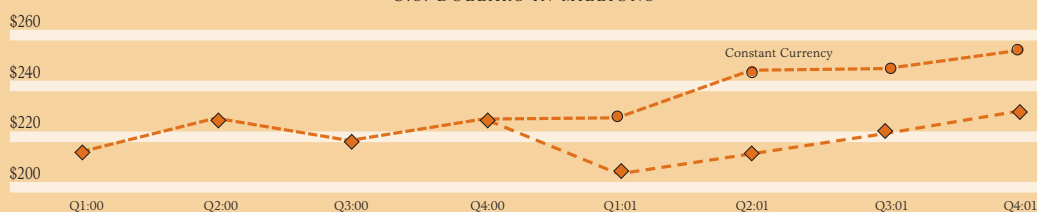
2001 REVENUE: \$65.6 MILLION

NU SKIN ENTERPRISES FINANCIAL HIGHLIGHTS

(U.S. dollars in millions, except per share and stock price amounts)	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Constant Currency Dec. 31, 2001
Revenue	\$ 894.3	\$ 879.8	\$ 885.6	\$ 962.3
Operating income	129.8	90.4	71.5	101.5
Net income	86.7	61.7	50.3	65.2
Earnings per share:				
Basic	\$ 1.00	\$ 0.72	\$ 0.60	\$ 0.78
Diluted	\$ 0.99	\$ 0.72	\$ 0.60	\$ 0.78
Shares outstanding—diluted (in millions)	87.9	85.6	83.9	83.9
Cash flow from operations	\$ 30.3	\$ 43.4	\$ 74.4	
Total assets	643.2	590.8	582.4	
Stockholders' equity	309.4	366.7	379.9	
Executive distributors	21,005	21,381	24,839	
Active distributors	510,000	497,000	558,000	
Market capitalization	\$ 796.4	\$ 454.5	\$ 734.1	
Return on average assets	13.9%	10.0%	8.6%	11.1%
Closing stock price—12/31	\$ 9.06	\$ 5.31	\$ 8.75	

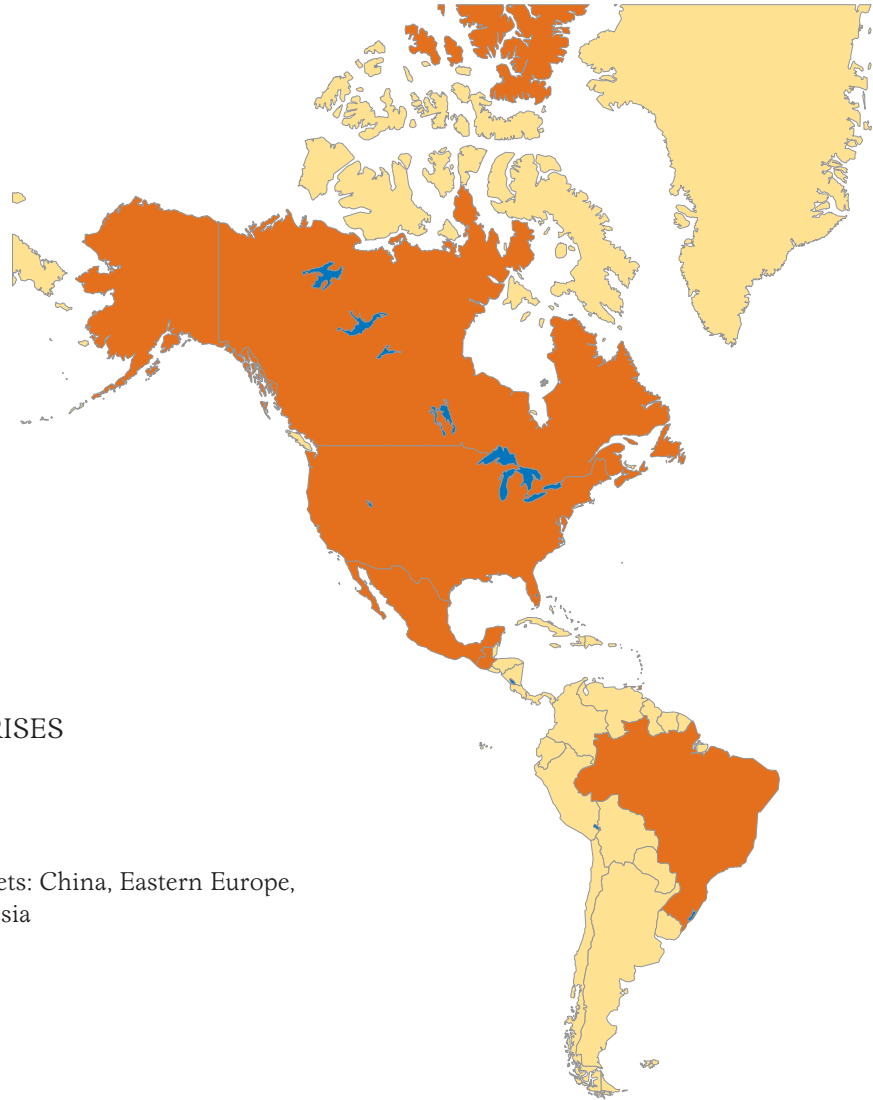
Constant currency results are calculated using the prior year's foreign exchange rates.

NU SKIN ENTERPRISES REVENUE U.S. DOLLARS IN MILLIONS



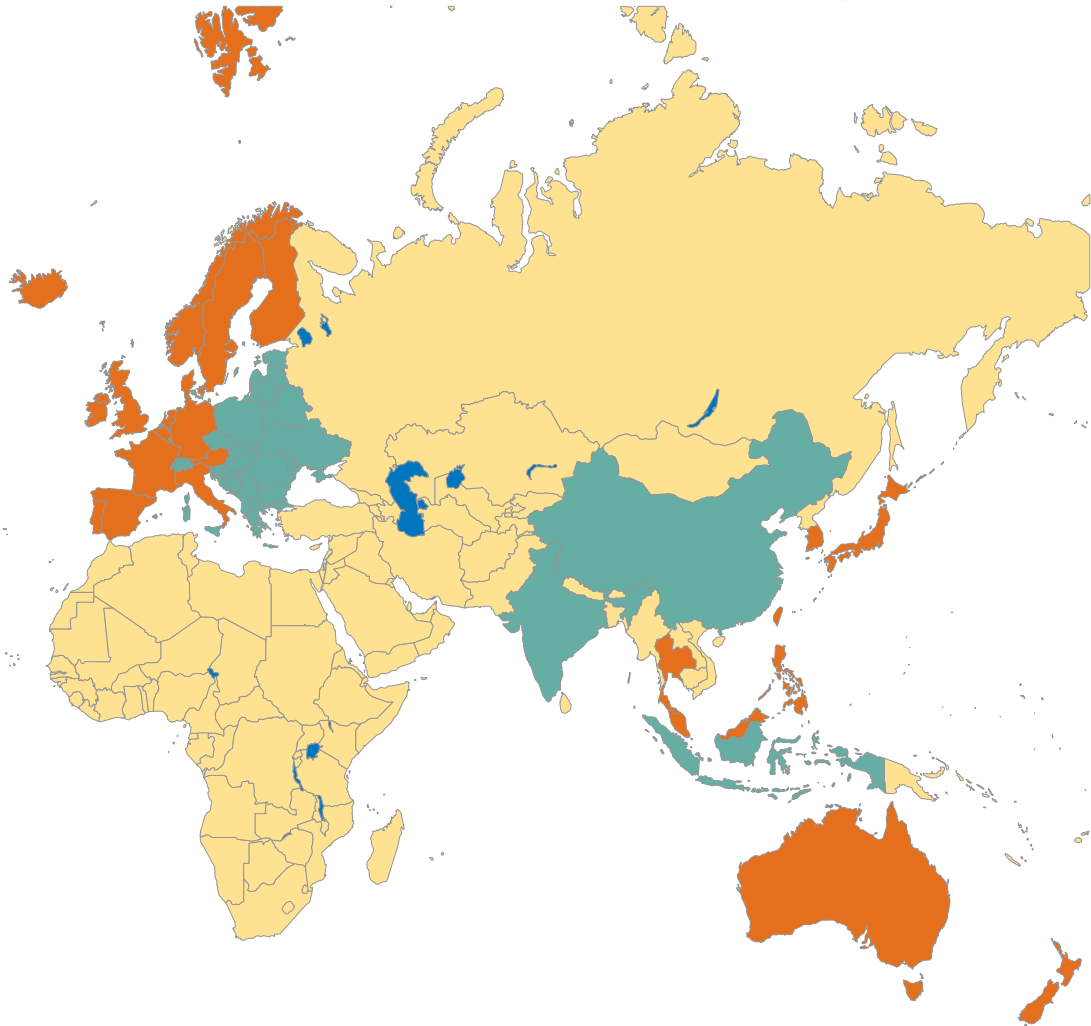
Constant currency results are calculated using the prior year's foreign exchange rates.





NU SKIN ENTERPRISES
GLOBAL MARKETS

- Current markets
- Developing markets: China, Eastern Europe, India, and Indonesia
- Potential markets



EVERY DAY
in the Chinese beauty industry
300,000 SQUARE FEET OF
cosmetics

ARE PURCHASED—ENOUGH TO GIVE
TWO MILES OF THE
GREAT WALL OF CHINA
A MAKEOVER

THE RECENT ANNUAL GROWTH RATE OF
SALES IN THIS INDUSTRY WAS 10 PERCENT.







IN FIVE YEARS

Nu Skin Enterprises

EXPECTS TO REACH

\$2 BILLION IN REVENUE

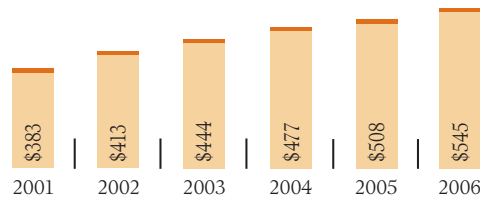
New markets. Organic growth. We are implementing plans that will lead to the opening of new markets of opportunity. In 2006, new markets are projected to represent 15 percent of revenue. Additionally, we are focusing on organic growth to generate double-digit revenue gains in our existing markets. If we accomplish these objectives, we will more than double our current annual revenue over the next five years to reach \$2 billion.

As we contemplate new market potential, we anticipate the majority of our 15 percent new market revenue stemming from China. The remainder will come from developing markets like Eastern Europe, where we expect business model enhancements to be a springboard for new opportunities in this high growth direct selling region. Our expectations for China are based on (1) the growth of direct selling in this market, (2) our significant market share in many other Asian markets, and (3) the notable steps we have already taken in this market.

Today, our business in China operates somewhat differently than it does in other countries. For example, our sales representatives must be employees and work from a fixed retail location. Though we currently operate only 32 small retail outlets in China, our per store revenue

is similar to that of our competitors—some of whom have as many as 1,200 store fronts in China. Over the next two years, we plan to significantly increase the number of retail outlets we operate in China. In addition, China's current direct selling restrictions are expected to be lifted by the end of 2004, creating a direct selling market that analysts predict will be between \$5 billion and \$7 billion. This will make it the third largest direct selling market in the world. Our success in Taiwan and Hong Kong—we command more than 7 percent of these direct selling markets—leads us to be optimistic about future results in China.

In our current markets, we plan to generate annual revenue growth of 14 percent. Including the revenue from our new Southeast Asian markets, the company posted 13 percent global constant currency growth in the second half of 2001. Japan, our largest market, must achieve 10 percent local currency revenue growth and the yen must stabilize to its historic 10-year average exchange rate (approximately 120 yen to the U.S. dollar) for us to reach our goal. We currently offer distributors in Japan more technological advantages than any of our competitors in this market. These include personalized websites and online ordering and business sup-



CHINA SKIN CARE
U.S. DOLLARS IN MILLIONS

port. We expect these advancements, combined with strong product launches and attractive leadership incentives, to be a catalyst for continued growth.

As we focus on cultivating our existing markets, reestablishing significant growth in the United States remains a top priority. In May 2001, we restructured management, placing revenue driving responsibility for the U.S. market under one management team. With this leadership, we will strengthen our technological advantages in the United States

while directing distributor attention to high margin Nu Skin and Pharmanex products.

Achieving our revenue goal will not be easy, but we have substantial momentum. During 2001, we experienced growth in 29 of our 34 markets around the world. We are intent on leveraging favorable market trends and opening new markets to reach \$2 billion in revenue by 2006. In the short term, we are focused on achieving double-digit revenue growth in constant currency during 2002.

“Our success is an indication of the favorable impact the economic uncertainty in Japan has had on the direct selling industry, specifically Nu Skin Japan. With our strong distributor leadership, current technological infrastructure, and robust product pipeline, double-digit revenue growth is possible as newcomers to our business capitalize on our exceptional products and unparalleled business opportunity.”

—Takashi Bamba, *President of Nu Skin Japan and Member of the Board of Directors*



EVERY DAY
in the corporate world
2.6 MILLION
employee hours
ARE SAVED BY INTERNET
TECHNOLOGIES—ENOUGH
TO BUILD THE
GOLDEN GATE BRIDGE

A REPORT BY GIGA INFORMATION GROUP, INC. ESTIMATES
BUSINESSES WILL SAVE TRILLIONS OF DOLLARS AS A RESULT
OF INTERNET TECHNOLOGIES.







IN FIVE YEARS

Nu Skin Enterprises

EXPECTS TO INCREASE

ITS OPERATING MARGIN

TO **13%**

Technology. Labor force. We are leveraging the power of the Internet and other technologies throughout our global operations to utilize our nearly 4,000 employees more effectively. As we continue to do this over the next five years, we expect our operating margin to rise from a reported 8 percent (9 percent adjusted for amortization of goodwill) to 13 percent of revenue.

Over the past several years, we have invested more than \$100 million in Internet and technology initiatives related to the development of an IT infrastructure and distributor web presence. As we continue to leverage our technological capabilities, we will strive to efficiently utilize this infrastructure to reach our revenue and operating margin targets.

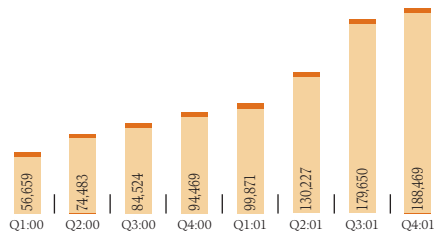
Utilizing this resource in Japan has produced excellent results. During the past 12 months, Internet-based and automated orders saved an estimated 150,000 employee hours—equal to nearly \$2 million, or 70 full-time employees. To build upon the success we have experienced in Japan, we are implementing similar Internet-based programs in our other markets around the world.

In achieving our operating margin goal, we anticipate gross profit of 79 to 80 percent of revenue. Over the past several years, gross margins have been negatively impacted by foreign currency fluctuations and changes in our

product mix with the increase of revenue from lower margin product initiatives. We plan to manage our gross margins by offsetting the negative foreign currency impact with improvements in our product mix as well as generating supply chain efficiencies, thus maintaining gross margins at desired levels.

At 39 percent of revenue, distributor incentives are our largest expense and our single most important investment. We believe our leadership-directed compensation plan is one of our leading competitive advantages and the primary reason we have been able to attract an exceptional global distributor force. Maintaining distributor incentives at industry leading levels is essential for us to continue to attract and retain the best direct selling entrepreneurs in the industry.

The key to increasing operating margin is to reduce selling, general, and administrative (SG&A) expenses as a percent of revenue. Our goal is to reduce SG&A expenses as a percent of revenue from 33 percent in 2001 (31.5 percent adjusted for the change in amortization of goodwill) to 28 percent by 2006. We will accomplish this by focusing our efforts on controlling labor and occupancy expenses—which accounted for 70 percent of SG&A expenses in 2001—through the increased use of employee productivity measurements and the application of technology within the workplace,



NU SKIN JAPAN ONLINE ORDERS

placing emphasis on boosting Internet and other automated product orders.

A significant portion of the remaining 30 percent of SG&A expenses is related to brand-building and other promotional efforts. Our Olympic Sponsorship is an example of the type of strategy we employ to build our brand. Our involvement with the Salt Lake 2002 Olympic Winter Games was highlighted by Rudolph Giuliani, former mayor of New York City, and Steven Lund, CEO and president of Nu Skin Enterprises, presenting the Nu Skin Olympic Spirit Award to two deserving Olympic Athletes in front of a national television audience. In addition to our brand-building activ-

ities, we spend promotional dollars on distributor conventions. Held in our major markets every 12 to 18 months, these conventions are designed to train and motivate our distributor leaders and to generate distributor loyalty. Over the next five years, we anticipate our promotional and brand-building efforts to remain at the same percent of revenue as we experienced in 2001.

We intend to foster greater profitability by increasing employee productivity while controlling other expenses. These steps are expected to increase our operating margin to 10 percent in 2002 and 13 percent by 2006.

“Our investment in Internet capabilities enables us to attract and retain distributors more effectively and also enhances money saving automated order processes.”

—Truman Hunt, *Executive Vice President*

“By generating greater productivity from our global labor force, we expect to see a substantial increase in our operating margin over the next five years.”

—Corey Lindley, *Chief Financial Officer*



EVERY DAY

in the direct selling industry

\$35 MILLION IN

retail profit

IS GENERATED—ENOUGH TO SEND
25,000 FAMILIES OF FOUR
ON A VACATION TO THE
GRAND CANYON

THE COMPOUND ANNUAL GROWTH RATE OF GLOBAL SALES IN
THIS INDUSTRY OVER THE PAST TWO YEARS WAS 4 PERCENT.

NU SKIN ENTERPRISES®





IN FIVE YEARS

Nu Skin Enterprises

EXPECTS TO CHAMPION

50,000

EXECUTIVE DISTRIBUTORS

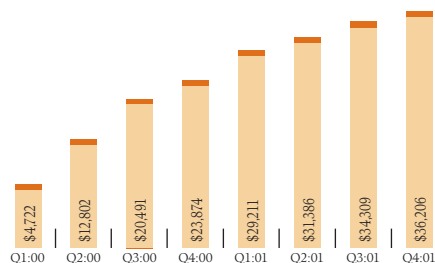
Entrepreneurs. Business leaders. We provide business opportunities that enable entrepreneurs to generate superior financial returns on time invested. This is important because distributor growth is closely tied to revenue growth. We look to double our executive distributor count by 2006.

Over the past 18 months, we have seen a 21 percent increase in entrepreneurs becoming executive distributors. This is a direct result of initiatives like our Automatic Delivery Program (ADP). By offering incentives for making an automatic monthly purchase commitment, ADP has motivated distributors to purchase two to three times more products per month than those who do not participate in the program. Additionally, those who participate in ADP are nearly four times more likely to become executive distributors.

We are also utilizing our IT infrastructure to advance the technological oppor-

tunities we offer our executive distributors. These include personalized distributor websites, advanced ordering capabilities, and online tools that help executives manage their businesses more effectively. As we continue to introduce Internet and advanced technological capabilities throughout our existing markets, we expect the executive distributor base in our current markets to grow by an average of 11 percent each year.

Last year, executive leadership in Japan grew by 9 percent. We attribute much of this to the success of Distributor Plaza—an e-commerce platform that enables Japanese distributors to place online orders and gain access to down-line reports and organizational sales volume tracking. Since its introduction in September 2000, executive distributors are checking the status of their business three times more often than they did prior to having this online capability.



ADP REVENUE
U.S. DOLLARS IN THOUSANDS

We expect new markets, specifically China, to also play an important role in building our executive distributor force, representing a significant percentage of our executive distributors in five years. As we continue to strengthen our business opportunities through product innovation and the application of technology in

ways that increase distributor productivity, Nu Skin Enterprises will offer entrepreneurs a suite of business opportunities unlike any other. This advantage should enable us to increase our executive distributor force to 28,000 in 2002 and to 50,000 by 2006.

“In the past four years, our business has more than doubled in size. In fact, our income has more than doubled in just the last year. We expect our business to triple over the next five years as a result of international expansion, growing public concern for wellness, and motivating distributor incentives. Nu Skin Enterprises is *the* company for entrepreneurs.”

—Brent and Virginia Bryson, *Blue Diamonds and Team Elite Members*



EVERY DAY

in the job market

42,000 INDIVIDUALS BECOME
direct selling distributors

—ENOUGH TO CIRCLE
MANHATTAN

THE COMPOUND ANNUAL GROWTH RATE OF THE DIRECT SELLING INDUSTRY'S
GLOBAL SALES FORCE OVER THE PAST TWO YEARS WAS 10 PERCENT.

NU SKIN ENTERPRISES®





IN FIVE YEARS

Nu Skin Enterprises
EXPECTS TO SUSTAIN

1.4 MILLION ACTIVE DISTRIBUTORS

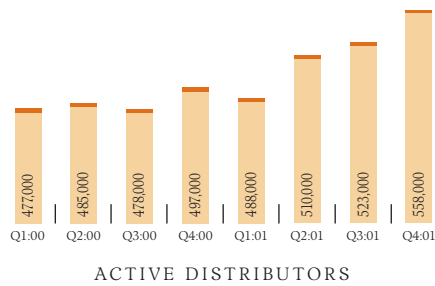
Access. Retention. We are making it easier for individuals to gain access to our products by opening new markets around the world and implementing programs that leverage the power of the Internet. We are also developing technology based programs to increase distributor retention and aid our distributor leaders in building their businesses. Through these endeavors, we estimate our active sales force will grow from 558,000 in 2001 to 1.4 million by 2006.

New and developing markets are key to increasing our active distributor count. Over the next five years, new markets are likely to account for 50 percent of our active distributor growth. Though we currently conduct business in 34 markets, there are more than 100 direct selling markets around the world. This indicates our significant geographic growth potential. This potential, coupled with our global compensation plan—a competitive advantage of our company—

offers distributors a significant opportunity to build international businesses.

The ability of our distributor leaders to leverage this opportunity incites enthusiasm for the opening of China. In five years, analysts predict China's personal care market will be \$9 billion. Nu Skin's premium personal care products have met with success in the greater Southeast Asia region, and we expect them to do equally as well in China. We are also optimistic about Eastern Europe, where current strategies to increase the number of active distributors are being developed.

The other key component to achieving our active distributor goal is retention. To improve retention rates, we are building upon the progress we have made in this area through Distributor Plaza and ADP in Japan. Utilizing the power of technology, these programs give distributors online access to product and business information, enable them to quickly and



easily place orders, and offer incentives that reward customer loyalty. Programs such as these have stimulated distributor activity in Japan, which has helped us revitalize this significant market.

As more and more people gain access to our premium quality products through new and developing markets, we should see our active distributor base grow sig-

nificantly. In addition, as we strengthen our existing Internet and technology-based programs and create even more effective initiatives, we will increase our distributor retention rate. This will not only be reflected in the success of our executive distributors, but also in the growth of our active distributor count to 650,000 in 2002 and 1.4 million by 2006.

“The opening of Singapore and Malaysia tripled the number of executive and active distributors in my region. We will continue to focus on building our distributor force in both existing and new markets, and through this, we anticipate sustained growth over the next five years.”

—Andrew Fan, *Regional Vice President of Southeast Asia*



EVERY DAY

in the health and beauty industries

2.7 MILLION UNITS OF

*premium nutritional and
personal care products*

ARE SOLD—ENOUGH TO REACH
TO THE TOP OF
MOUNT FUJI 40 TIMES

THE RECENT ANNUAL GROWTH RATE OF PREMIUM NUTRITIONAL AND PERSONAL CARE PRODUCT SALES ON A GLOBAL BASIS WAS 4 PERCENT.

NU SKIN ENTERPRISES®





IN FIVE YEARS

Nu Skin Enterprises

EXPECTS TO GARNER

MORE THAN *50%* OF ITS

REVENUE FROM PRODUCTS

IN THE DEVELOPMENT PIPELINE TODAY

Innovation. Science. We are focusing company resources on innovation to fulfill our commitment to provide only the most technologically and scientifically advanced products available. In the fourth quarter of 2001, nearly 40 percent of our annual revenue stemmed from new and reformulated products introduced during the year. Over the next five years, by keeping our research and development pipeline robust, we will garner more than 50 percent of our annual revenue from products in the development pipeline today.

To reach this goal, Nu Skin, our personal care division, is focusing heavily on the daily skin care category, which currently accounts for 30 percent of Nu Skin's annual revenue. Because we maintain a healthy gross margin in this category and daily skin care products garner a high degree of customer loyalty, our aim is to increase the percentage of our business tied to these products. Nu Skin's other growth product categories are skin treatment and ethnobotanical solutions. In these categories, we are strategically positioned to take a leadership role within the marketplace.

Pharmanex, our health and nutrition division, is identifying and developing products that appeal to a wide consumer base and address unmet health needs. Our three categories for growth are anti-aging, targeted nutrition, and weight management. In 2001, we enhanced LifePak® with anti-aging ingredients and reformulated our targeted nutrition products under the Pharmanex Solutions line. These steps, combined with other initiatives, increased Pharmanex 2001 revenue by 13 percent in constant currency. Looking to the future, we are focused on introducing products to gain greater market share in the weight management and targeted nutrition categories, including the launch of a breakthrough anti-stress product.

Over the next five years, Big Planet, our technology division, will continue to expand into international markets with products like My Global Web Page—a distributor website used to redirect customer traffic to online shopping sites where Nu Skin, Pharmanex, and other products can be purchased. In addition, increased online distributor productivity tools will continue to be released, including eClips,



NU SKIN



PHARMANEX



BIG PLANET

a direct-email prospecting tool, and eTools, a contact management, interview, and auto-responder system for leads development.

In each of our divisions, the direct selling channel enables us to quickly and effectively introduce products into the marketplace—and at a much lower up-front cost than our competitors

in the retail environment. Over the next five years, we will keep our product offering fresh. This will enable us in 2006 to garner more than 50 percent of our annual revenue from products in the development pipeline today. In 2002, more than 30 percent of revenue will come from products launched in the past three years.

“Pharmanex has the strongest and deepest research and development team in the industry with 50 world-class Ph.D. scientists and an extensive international network of academic associates.”

—Dr. Joe Chang, *President of Pharmanex*

“We are currently supporting landmark research at Stanford University School of Medicine that will provide a base of scientific knowledge on how skin responds to nutrient supplementation. This foundation will open doors for important new product development.”

—Lori Bush, *President of Nu Skin*

“The consistent adoption of new technology in our business will continue to increase the effectiveness of our distributors at building and maintaining their independent businesses.”

—Richard King, *President of Big Planet*

