

clear

DIFFERENCE.

We are clearly focused on demonstrating the Nu Skin difference through our **PEOPLE, PRODUCT, CULTURE** and **OPPORTUNITY**. “THE DIFFERENCE. DEMONSTRATED.” is not simply a catchphrase, it represents our unique competitive positioning and a deeply rooted brand promise – a promise to be the best people, offer the finest products, embody an enriching culture, and promote the best opportunity for all those who associate with Nu Skin.



NU SKIN
THE **DIFFERENCE.** DEMONSTRATED.™

It's a promise we collectively make as a company, and something that our employees and distributors live every day.



people

Our greatest asset is our people. We attract and support people who demonstrate high standards of trust, respect, optimism and authenticity, clearly setting Nu Skin apart in an increasingly competitive business channel. While some may attempt to recreate our products, our business model or business practices, they can never duplicate the caliber of our people.



product

With a focus on anti-aging technologies, our more than 100 in-house scientists are filling our product pipeline with exclusive products based on sound research and scientific integrity – going a step beyond promises by delivering real results that improve people’s lives. This innovation extends to our proprietary distributor sales tools that also clearly demonstrate the effectiveness of our products.



THE DIFFERENCE. DEMONS

words who we are. In a highly competitive market, we don't just say Nu Skin is different. We show our difference through our **people, products, and processes.**

STRATED. encapsulates in three
competitive business environment,
rent, we actually demonstrate our
product, culture and opportunity.



culture

Making a clear and positive difference in peoples' lives is at the heart of who we are. Our unique culture of caring encourages people to be a force for good in everything they do – from their business activities, to their families and communities. In short, we live each day with an understanding that together we truly do make the world a better place.





opportunity

For many of our distributor leaders, improved lifestyle and financial freedom are clear rewards for their diligence and dedication. Our people, product and culture combine with our lucrative business opportunity to create a competitive advantage for our more than 750,000 independent distributors who seek security, lifestyle freedom, confidence and community.





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Letter to Shareholders



NU SKIN
THE DIFFERENCE. DEMONSTRATED.

ANNUAL REPORT 2007



Dear Shareholder:

2007 was a turnaround year for Nu Skin Enterprises. After experiencing a revenue decline in 2006, our efforts to generate renewed growth during 2007 were successful. For the year, we generated 4 percent revenue growth, achieving our second-highest revenue year in our 23-year history. More importantly, we believe that we have the momentum necessary to generate **record results in 2008**.

2007 Highlights

The company concluded 2007 with revenue of \$1.16 billion. Strong performances in most of our markets contributed to these results, including stand-out successes in South Korea, the United States, Eastern Europe, Southeast Asia, and Hong Kong. These star markets have been able to capitalize on strong product initiatives, including the Galvanic Spa® System II, an in-home spa system focused on reducing the visible signs of aging. These markets have also capitalized on the global obesity epidemic, reflected in the growing success of our weight management offerings. In addition, our flagship products, the Pharmanex® LifePak® multivitamin line and the Nu Skin 180® Skin Care System continued to hold consumer loyalty. Meanwhile, our sales tools, including the Pharmanex® BioPhotonic Scanner, continued to be compelling vehicles for distributors to demonstrate the impact of our products.

Laying the Foundation for Improved Shareholder Value

Our 2007 revenue met our original growth target of 3 to 5 percent, notwithstanding larger than anticipated declines in Japan and China. However, our earnings per share (EPS) growth fell short of our target. This was due to a lower-than-anticipated gross margin as our revenue mix shifted from Japan to lower-margin markets, and higher-than-expected losses in unprofitable markets, especially China. We made significant steps to address these issues in the second half of 2007, putting us on a path to enjoy strong EPS growth in 2008. Key 2007 restructuring steps included:

Management Changes in Key Markets

We made management changes in the key markets of Japan and China, including hiring Gary Sumihiro from our largest competitor in Japan to head up our business there. Gary is a seasoned direct sales leader who understands this unique market. In China, we turned to an 18-year Nu Skin veteran who helped us open many of our Asian markets, including Hong Kong and Taiwan. Andrew Fan is an energetic leader who, we are confident, will be able to tailor our business to address the enormous potential of China.



Reducing Investment in Loss Markets

In the fourth quarter of 2007, we simplified our operations in China, allowing us to pursue a more cost-effective approach to transitioning our business model in China's most important metropolitan areas. We closed approximately 70 stores and reduced our corporate headcount by more than 50 percent. We expect that these modifications will reduce our annual investment in China by \$7 million. We also closed our Brazil operations in mid-2007, with an expected savings of approximately \$2 million per year.

Recruiting and Leadership Development

Based on sound analytics, during 2007 we focused the spotlight on incentives to help our distributors in their sponsoring activities. We also implemented programs designed to augment the early compensation of new leaders to improve sponsorship and retention.

Corporate Restructuring

By implementing the second phase of our global restructuring, we reduced our cost structure by a projected \$15 million. Consequently, we begin 2008 lighter and much more agile.

2008 Financial Targets

As we look ahead to 2008, our revenue improvement and cost reductions in the second half of 2007 justify our ambitious and attainable financial goals for the year, including:

- 4 percent revenue growth
- 10.5 percent operating margin
- Earnings per share of \$1.15 to \$1.22

Our Competitive Positioning:

THE DIFFERENCE. DEMONSTRATED.™

In 2007, we concluded the most comprehensive marketing research effort in our history. The research culminated with a new strategic positioning for our company: THE DIFFERENCE. DEMONSTRATED.™ In a world filled with hype and exaggerated marketing slogans, we are the company that will back up our claims with substance.

We launched the new strategic positioning to our distributor leaders at our global convention in September 2007, and will roll it out globally to our 47 markets in 2008. You'll notice that this initiative also includes an updated image and identity that better reflects the brand attributes and personality of the company.

Core to our new strategic positioning is demonstrating our difference – our competitive advantages – through our people, product, culture and opportunity.



Demonstrating the Difference through Our PEOPLE

Our success is dependent on attracting high-quality individuals who are willing to work hard, have a strong desire to succeed and the dedication to conduct their business honestly and ethically. For nearly 25 years, we've been successful in bringing exceptional people to Nu Skin Enterprises.

In fact, our unique distributor demographics set us apart from our competitors. We have a leadership-driven sales force that is comprised almost equally of men and women. The “average” United States distributor has a household income of more than \$70,000, and 65 percent of our distributors have completed secondary education. This compares to a direct selling average of 43 percent. We attract a more educated, professional and successful sales force.

In addition, our worldwide employee team demonstrates its commitment to distributor success. Our employee job satisfaction rating is well above the national average, with our staff citing the main reason as the company's commitment to “improving people's lives.” Having served in various leadership capacities in both national and global trade associations, it has been plain to see that, while there are many wonderful direct selling companies, the quality of management and staff at Nu Skin Enterprises is second to none.

Demonstrating the Difference through Our PRODUCTS

Maintaining the unsurpassed quality of our products is an area where we continue to take big strides. While our scientific approach to product development has traditionally differentiated us in the industry, we are capitalizing on what we believe is a unique market niche. While most company's research and development efforts are producing products based on addressing external visible signs of aging, our product pipeline is focused on the next generation of anti-aging Nu Skin® and Pharmanex® products. Based on innovative research, we are beginning to identify major pathways of aging that are significant contributors to the overall aging process.

On the personal care side, we have spent the last several years collaborating with scientists at Purdue University to identify an enzyme in the skin known as arNox, which has been shown to be an important contributor to skin aging. This discovery is leading to novel approaches to skin care and our scientists are developing new products based on this new platform. We

expect such products to be introduced in the next 12 to 18 months, initially in the key geographies of Japan, Greater China, the Americas and Europe.

On the nutrition side, our scientists are making similar strides in their research of internal sources of aging in the body. They are researching an aberrant chemical process called glycation that cross-links sugars to proteins. This process has been implicated as an accelerant of the aging process leading to organ dysfunction. We expect to utilize this research in the development of advanced anti-aging products expected to launch in 2009. We are excited by the fact that these new products will add substantively to our already attractive product portfolio.



Additionally, the Galvanic Spa® System, which is averaging approximately 20,000 units sold per month globally, a more than 200 percent year-over-year increase, continues to gain traction among our distributor force. Our markets are also leveraging the increasing demand for our weight management offering. There is no doubt that we have the right mix of scientifically validated sales tools and an extremely innovative and differentiated product line to fuel our distributors' success in demonstrating the clear difference of our skin care and nutritional products.



Demonstrating the Difference through Our CULTURE

Our desire to be a force for good in the world is positioned as the foundation of all we do and is equal in importance with any other ingredient in our formula for success. This “force for good” objective applies not only to the causes we support, but just as importantly to the products we offer, the opportunities we provide, and the people with whom we associate.

Our success and corporate philosophy of being a force for good in the world inspires us to join with our distributors in reaching out to those in need – particularly by creating a better world for children. In fact, during this last year, the company and its distributors reached an important milestone by donating more than 100 million meals to malnourished children since the inception of our Nourish the Children initiative in 2002. The year was also highlighted by the dedication of a teaching village in Malawi, Africa - affectionately named “Mtalimanja,” by locals, which means “long hands that give.”



Similarly, the Nu Skin Force for Good Foundation continues its work to provide support for children in need, and in 2007, the foundation sponsored more than 70 projects throughout the world. Of particular poignance is our support of the Children's Heart Fund in Southeast Asia. Since we began supporting this remarkable collaboration of self-sacrificing physicians, we and our distributors have partnered to provide more than 3,000 life-saving heart surgeries to children in the region. We anticipate that our support of this effort will continue to grow.

Demonstrating the Difference through Our OPPORTUNITY

Our people, product and culture combine to create a business opportunity for people to improve their lives and the lives of those around them. Our success is entirely dependent on the degree to which more than 750,000 active distributors successfully utilize the products and tools we provide to recruit, train and motivate a sales organization while generating a loyal consumer base.

We are becoming more sophisticated in our ability to understand distributor behavior, and to implement and measure the impact of growth initiatives. Under the direction of our newly formed Distributor Success team, we continue to implement and refine efforts designed to strengthen our partnership and alignment with sales leaders. The success of this effort is particularly evident in the United States, South Korea, Europe and the South Asia Pacific region, where 2007 sales volume increased 14 percent, 18 percent, 27 percent, and 11 percent, respectively.

Our vision is to become the leading direct selling company in the world by generating more distributor commissions for our sales partners than any other direct seller. In 2007, we paid out nearly \$500 million in commissions. To achieve our goal, we must pay out at least \$2 billion per year in commissions. At this level, we will have a dramatic, positive influence on the lives of millions of distributor partners.

Nu Skin Enterprises – A Clear Difference

We recognize that, as a management team, we must demonstrate our difference to you. As we begin 2008, our expectations are high. We have laid the foundation for record revenue results and significantly improved profitability and are moving in the right direction to realize our vision of becoming the world's leading direct selling company.

We welcome your participation with us in this endeavor. As you come to know Nu Skin Enterprises, we have no doubt that you'll come to realize that Nu Skin represents a clear difference – now and in the future.

Sincerely,



Blake M. Roney
Chairman



Steven J. Lund
Vice Chairman



Truman Hunt
President and CEO

