

NU SKIN ENTERPRISES MIDYEAR REPORT



FOR THE SIX MONTHS ENDED JUNE 30, 2001

MISSION

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.

FINANCIAL HIGHLIGHTS

(U.S. dollars in millions, except per share amounts)	1st Quarter 2001	2nd Quarter 2001	1st Half 2000	1st Half 2001
Revenue	\$ 210.3	\$ 218.6	\$ 440.6	\$ 428.9
Gross profit	167.7	175.3	367.7	343.0
Operating income	13.0	20.2	46.9	33.2
Net income	12.6	11.6	30.5	24.2
Earnings per share:				
Basic	\$.15	\$.14	\$.35	\$ 0.29
Diluted	.15	.14	.35	0.29
Weighted average common shares outstanding (000s)				
Basic	84,092	83,403	86,044	83,773
Diluted	84,934	84,231	86,370	84,596

SIGNIFICANT EVENTS

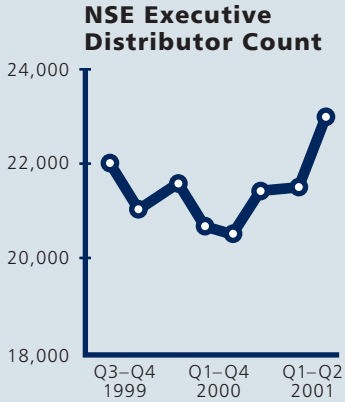
First Quarter

- Hosted an international distributor convention where each of the company's three divisions launched products that have positively impacted global sales.
- Introduced the Nu Skin Galvanic Spa System™ and Tru Face™ Line Corrector in the United States and Japan. Since their introduction, they have become two of Nu Skin's top selling products—the Nu Skin Galvanic Spa System alone has generated more than \$6 million in sales after five months.
- Launched the Pharmanex Body Design weight management system in the United States during February and then in Hong Kong during May.

Second Quarter

- Restructured management, placing the U.S. market under one management team in order to simplify the U.S. business.
- Opened in December 2000, Singapore generated \$8.6 million in sales during the second quarter—up from \$4.7 million in the first quarter. Singapore is now our fifth largest market.
- Launched the nubeauty.com e-commerce opportunity in Japan, which strengthened our Internet focus in this market and helped generate 3 percent growth in local currency during the quarter.

AS I SEE IT: A DISCUSSION WITH STEVE LUND



Q: How has the company performed during the first half of 2001?

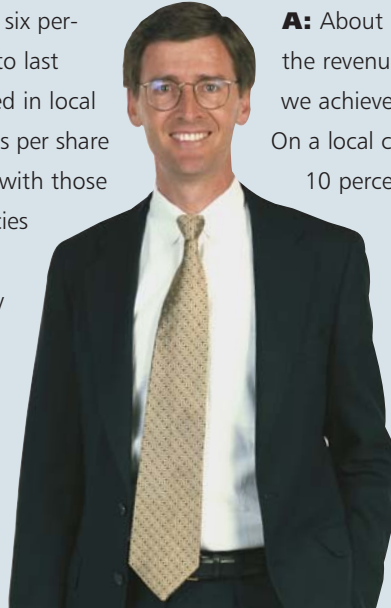
A: We are pleased to report that on a local currency basis, global revenue during the first half of the year was up six percent compared to last year. This resulted in local currency earnings per share remaining even with those

experienced in 2000. However, foreign currencies have weakened (particularly the Japanese yen) over the past 12 months and this has negatively impacted our reported results, which were down compared to last year. In spite of this, we are confident that based on local currency revenue gains, stable earnings, and an increase

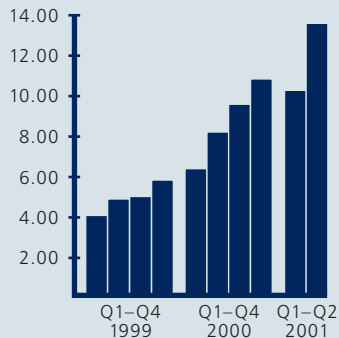
in our executive distributor count—up 11 percent at the end of June compared to June 2000—we have established an international growth strategy that works.

Q: How is your business in Asia performing so far this year?

A: About 18 months ago, we started talking about reversing the revenue trend in Asia. We are pleased to announce that we achieved the revenue growth for which we were striving. On a local currency basis, our Asian operations were up nearly 10 percent for the first six months of the year compared to the same period last year. This comes as a result of four important strategic initiatives: (1) well-received product introductions, (2) programs designed to leverage the enthusiasm surrounding the Internet, (3) the strength of monthly automatic purchase programs, and (4) successful enhancements to distributor incentive programs.



South Korea Revenue (Won in Billions)



March. Our distributor convention in Tokyo during November will also help ensure the continued stability of Japan. In addition, a year-over-year increase in our executive distributor count is a strong indicator that our business in Japan is healthy.

Although Taiwan's revenue was down, the strong revenue growth in our other

Japan, our largest market, posted slight first-half revenue gains over last year. We are confident that strong product introductions, including Nu Skin Daily Skin Care fortified with Nutricentials,[™] will generate enthusiasm similar to that created by the introduction of the Nu Skin Galvanic Spa System[™] in



Asian markets made up the difference. South Korea, continuing its trend of revenue growth, was up 63 percent in the first six months. Most of our other Asian markets have also performed well due to the effective execution of our product introduction strategy and strong distributor activity following the opening of Singapore in December 2000.

Q: How are you progressing with your goal to stimulate growth in the U.S. market?

A: Our primary focus as a company today is on the U.S. market. We believe that our main challenge in the U.S. has been distributor confusion about doing business in three different divisions.

In May, we addressed this challenge by reorganizing our management structure. This reorganization included placing the U.S. market under one management team to help simplify the U.S. business.

Additionally, we announced several initiatives for the U.S. market, which include harmonizing business between the three divisions by creating one U.S. compensation plan, introducing enhancements to distributor incentives, and taking steps to increase the level of support we provide our distributors. We believe the combination of these initiatives will help bring renewed growth to the U.S. market by the end of the year.

Q: How are your other international markets performing?

A: We have posted solid year-over-year revenue gains in most of our markets during the first half of this year. In Europe, we experienced a 49 percent growth as compared to last year. This follows a 35 percent growth in 2000 over the prior year. Because four of the top 10 direct selling markets in the world are located in Europe, we

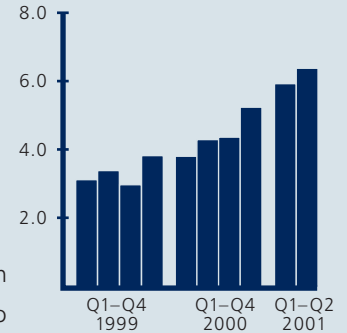
are pleased to see consistent growth in this important geographic region.

Q: What steps have you taken this year to keep your product offering fresh?

A: Our management reorganization will allow our division managers to

focus more on new product development and product marketing. This change demonstrates our commitment to providing the most advanced products available. Earlier this year, we indicated that we anticipate 40 percent of revenue to stem from new and reformulated products in 2001. With the success of

Europe Revenue
(Euros in Millions)



the Nu Skin Galvanic Spa System™ and Pharmanex's reformulated LifePak® and new Cholestin, we are well on the way to achieving this goal by the end of the year.

We also have strong product introductions on the horizon, including skin treatment, nutrition, and weight management products. As we launch new products such as Moisture Restore™ and Celltrex® Ultra Recovery Fluid—both featuring Nu Skin's innovative Nutricentials™ ingredients—on an international basis, we are confident our divisions will continue to foster excitement with their product lineup for 2002.

Q: What are you doing to increase distributor productivity in 2001?

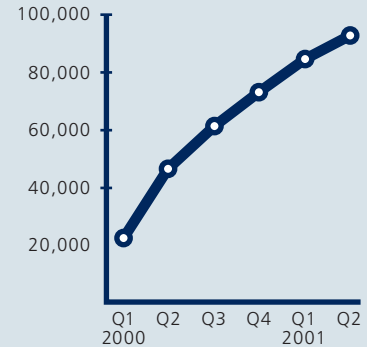
A: One way we plan to enhance distributor productivity is by building upon the broad acceptance of automatic purchase

programs. Data continues to reflect the importance of these programs in our business. For example, distributors who have joined one of our monthly purchase programs are 60 percent more likely to remain active after

one year and are

136 percent more likely

Total Pharmanex ADP Customers



to become executive level distributors. Currently, we have 90,000 Automatic Delivery Program (ADP) customers around the world—18 months ago we had less than 30,000. These figures demonstrate why we see automatic purchase programs as vital to increasing distributor productivity.



We have also made some important changes to our compensation plans in many of our markets around the world. Designed to increase the number of executive distributors, these adjustments provide additional incentives for distributors working through the executive-level qualification process. We believe our investment in these distributor incentives is helping increase our executive distributor count.

Q: How are you leveraging your Olympic Sponsorship?

A: We are excited to be an Official Sponsor of the 2002 Olympic Winter Games. As one of only two Olympic Sponsors headquartered in Utah, we have a unique advantage. An advantage we are leveraging by hosting Nu Skin's Olympic World of Ice. Taking place February 8–24, the event will be held in Tabernacle Park, which is adjacent to our corporate headquarters in Provo, Utah. This prime



location is just one mile from the Peaks Olympic Hockey Venue and in close proximity to the Cultural Olympic Ice Carving Competition.

Nu Skin's Olympic World of Ice will feature ice castles, towers, and figures representing regions from around the world; ice skating exhibitions by Olympic Champions; live coverage of Olympic Events; and public ice skating. We are also hosting a media center during this event,

fulfilling the communication needs of media personnel, not to mention offering them exciting story and photo opportunities through Nu Skin's Olympic World of Ice.

To further leverage our sponsorship, we are involving the community by offering them the chance to be a volunteer at this fun event. We anticipate Nu Skin's Olympic World of Ice to generate a considerable amount of publicity for our company and are excited about the opportunities this will bring our direct sales force.

Q: What are the corporate priorities of Nu Skin Enterprises over the next few quarters?

A: Creating renewed growth in our home market is our top priority. Many of our distributors around the world look to the U.S. market for leadership. Because of this, a revitalized U.S. market will not only boost U.S. sales, but also raise the level of enthusiasm

throughout our entire direct sales force.

Our second priority is to work on our operating margin. While we believe the recent reorganization of our management structure will facilitate lower operating expenses over the long term, our focus is on creating revenue growth without increasing selling, general, and administrative (SG&A) levels in the short term.

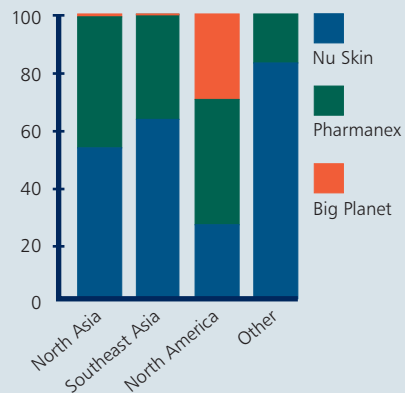
Our third priority is to leverage the success we have generated in Singapore throughout the Southeast Asia region. We are currently experiencing strong growth in Hong Kong, Thailand, and Australia. Our goal is to build upon this distributor momentum, extending it in a prudent manner to both existing and new markets within this region.



NU SKIN ENTERPRISES COUNTRY OFFICES



Percent of Division Product Sales by Region



2001 FIRST HALF FINANCIAL PERFORMANCE

(U.S. dollars in millions, except per share amounts)	
Revenue	\$ 428,876
Operating income	\$ 33,206
Gross margin	80.0 ^a
Operating margin	7.7 ^a

MARKET SUMMARY (8/15/01)

Recent stock price	\$ 6.75
Shares outstanding	\$ 83.3 million
Market capitalization	\$ 562.3 million
52 week range	\$ 4.25–8.94
NUS P/E (TTM)	10.4

SELECTED FINANCIAL INFORMATION

Selected Statements of Income Information (in millions)	1st Quarter 2001	2nd Quarter 2001	1st Half 2000	1st Half 2001
Revenue				
North Asia	\$ 130.0	\$ 137.2	\$ 290.2	\$ 267.2
Southeast Asia	30.8	36.5	60.2	67.3
North America	43.4	38.6	81.1	82.1
Other	6.1	6.3	9.1	12.3
Total revenue	\$ 210.3	\$ 218.6	\$ 440.6	\$ 428.9
Net Income	\$ 12.6	\$ 11.6	\$ 30.5	\$ 24.2
Gross margin	79.8 ^a	80.2 ^a	83.5 ^a	80.0 ^a
Operating margin	6.2	9.2	10.6	7.7
Net margin	6.0	5.3	6.9	5.6

SELECTED FINANCIAL INFORMATION (CONTINUED)

Selected Balance Sheet Information (in millions)	September 30, 2000	December 31, 2000	March 31, 2001	June 30, 2001
Assets				
Cash and cash equivalents	\$ 49.9	\$ 64.0	\$ 51.5	\$ 61.3
Working capital	120.8	122.8	120.8	125.3
Total assets	589.2	590.8	567.1	576.1
Liabilities				
Long-term notes	\$ 87.1	\$ 84.9	\$ 76.9	\$ 77.8
Total liabilities	239.3	224.1	201.6	211.0
Stockholder's equity	\$ 349.9	\$ 366.7	\$ 365.5	\$ 365.1
Active distributors	460,000	475,000	465,000	487,000
Executive distributors	20,464	21,381	21,129	22,904
Stock price				
	3rd Quarter 2000	4th Quarter 2000	1st Quarter 2001	2nd Quarter 2001
High	\$ 7.50	\$ 6.75	\$ 8.94	\$ 8.50
Low	5.50	4.25	5.25	6.90
Close	6.63	5.31	8.50	8.50

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STOCK LISTING

Nu Skin Enterprises' stock is listed on the New York Stock Exchange under the symbol: NUS.

TRANSFER AGENT

Inquiries regarding lost stock certificates, consolidation of accounts, and changes in address, name, or ownership should be addressed to:
American Stock Transfer & Trust Co.
59 Maiden Lane
New York, New York 10038
Telephone: 1-800-937-5449

CORPORATE HEADQUARTERS

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DIVISION WEB SITES

www.nuskin.com
www.pharmanex.com
www.bigplanet.com

ADDITIONAL INFORMATION

News releases and media information can be found by calling Automated Fax at 1-800-758-5804, extension 119638 or by visiting www.prnewswire.com.

FORWARD LOOKING STATEMENT

Please note: This *Midyear Report* contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 that represent the company's current expectations and beliefs, including, among other things: (i) the belief that strong product introductions planned for future periods will generate enthusiasm similar to that created by recent product introductions; (ii) the anticipation that the Japan distributor convention will help ensure stability in Japan; (iii) the belief that recent initiatives will help bring renewed growth to the U.S. market by the end of the year; (iv) the belief that the recent reorganization will facilitate lower operating expenses in the long term. The forward-looking statements and related assumptions involve risks and uncertainties that could cause actual results and outcomes to differ materially from any forward-looking statements or views expressed herein. These risks and uncertainties include, but are not limited to: (a) adverse changes in currency exchange rates, particularly the Japanese yen; (b) continued or increased economic problems in the company's markets, particularly the United States and Japan, that have negatively impacted consumer spending in those markets; (c) continued uncertainty concerning the long-term effects of the initiatives that have renewed growth in Japan and the risk that such growth may not be sustained; (d) the risk that the company's efforts to harmonize the divisions in the United States will not generate increased

sponsoring and sales activities by the company's distributors; (e) uncertainties concerning the actual impact that new initiatives and enhancements to distributor incentives will have on revenue and distributor incentives as a percentage of revenue; (f) continued competitive pressures in the company's markets; and (g) regulatory risks associated with the company's business and product offerings, including possible restrictions on or challenges to the company's marketing practices or products. The company's financial performance and the forward-looking statements contained herein are further qualified by a detailed discussion of associated risks set forth in the documents filed by the company with the Securities and Exchange Commission, including the company's most recent Form 10-K and Form 10-Q. The forward-looking statements set forth the company's beliefs as of the date of this *Midyear Report*, and the company assumes no duty to update the forward-looking statements contained herein to reflect any change.

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