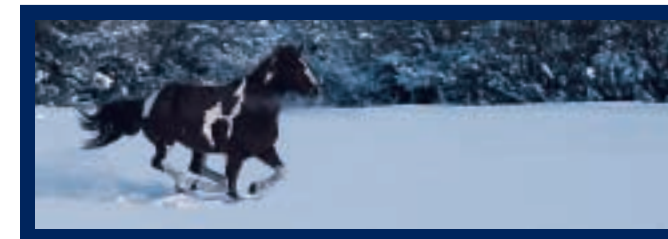


NU SKIN ENTERPRISES



2000 ANNUAL REPORT

WE ARE



A group of horses is running across a vast, snow-covered field. The horses are in various colors, including dark brown, white, and pinto. In the background, there are several bare trees and a range of snow-capped mountains under a clear, light blue sky. The overall scene is serene and captures a moment of natural energy in a winter landscape.

WE ARE

DIRECT SELLING ENTREPRENEURS

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.

SIGNIFICANT EVENTS IN 2000

- Nu Skin 180™ Anti-Aging Skin Therapy System was launched globally after its U.S. introduction in 1999. In 2000, this product became Nu Skin's top selling product with global sales of \$40 million.
- Pharmanex's Automatic Delivery Program was launched around the world. Currently, 25 percent of Pharmanex's revenue is generated from this monthly replenishment program.
- During the fourth quarter, Pharmanex began offering personalized web sites to its U.S. and Japanese distributors. Bundled with other leadership incentives, personalized web sites are expected to be key in boosting the company's number of executive distributors in 2001.
- The company established operations in Singapore. This new market not only provides incremental revenue, but its location and demographics are strategically important for future development in China and throughout southeast Asia.
- Big Planet revenue increased in the United States from \$21.8 million in 1999 to \$44.5 million in 2000.

FINANCIAL HIGHLIGHTS

(U.S. dollars in millions, except per share amounts)	Dec. 31, 1998*	Dec. 31, 1999	Dec. 31, 2000
Revenue	\$ 913.5	\$ 894.3	\$ 879.8
Gross profit	703.4	742.6	730.4
Operating income	156.2	129.8	90.4
Net income	103.9	86.7	61.7
Earnings per share:			
Basic	1.22	1.00	0.72
Diluted	1.19	0.99	0.72
Cash and cash equivalents	\$ 188.8	\$ 110.2	\$ 64.0
Working capital	164.6	74.6	122.8
Total assets	606.4	643.2	590.8
Stockholders' equity	254.6	309.4	366.7
Active distributors	470,000	494,000	475,000
Executive distributors	22,800	21,000	21,400

* Financial results include nonrecurring expenses of \$35.2 million for 1998 relating to the acquisition of Nu Skin International and Pharmanex.

NU SKIN® A leader in the creation and distribution of premium personal care products, Nu Skin focuses on skin care and advanced specialty skin treatment systems. Nu Skin continually brings consumers innovative skin care products through advances in dermatological science, the selection of superior ingredients, and the ability to target individualized consumer needs. Nu Skin's commitment to innovation has led to the establishment of the Nu Skin Center for Dermatological Research at Stanford University School of Medicine, which focuses on scientific investigation, dermatology research, and product development. For more information, visit www.nuskin.com.

THE BEAUTY OF INNOVATION™

PHARMANEX® An innovator in the health and nutrition industry, Pharmanex takes a pharmaceutical-like approach to the research and development of dietary supplements and nutritional systems. With an extensive roster of on-staff scientists, plus relationships with leading academic and research institutions throughout the world, Pharmanex is constantly exploring new ways to help consumers achieve optimum health, including a focus in 2001 on weight management and herbal blends. Our commitment to technology, demonstrated by our personalized representative web site opportunities eHealthcenter.com and ePharmanex.com, will continue in 2001 through a series of international market roll-outs. For more information, visit www.pharmanex.com.

PROVIDED BY NATURE, PROVEN BY SCIENCE™

BigPlanet® A provider of enhanced communications and Internet-based products and services, Big Planet offers entrepreneurs the opportunity to start a technology-oriented network marketing business. The company's strategic product mix bundles telecommunications and Internet services with value-added, high-margin products, including extensive online purchasing relationships. By combining powerful person-to-person marketing with the one-to-one dynamic of the Internet, Big Planet is focused on bringing technology to your world. For more information, visit www.bigplanet.com.

BRINGING TECHNOLOGY TO YOUR WORLD™



(Left) Launched throughout the world in 1999 and 2000, the Nu Skin 180™ Anti-Aging Skin Therapy System is Nu Skin's number one product with annual sales in 2000 of \$40 million. (Middle) Introduced in early 2001, the Nu Skin Galvanic Spa System™ features a new patented technology, providing spa facial benefits at home in just 10 minutes. (Right) nubeauty.com, which provides personalized web sites and online business centers for distributors, is expected to be a catalyst for distributor activity in 2001.



(Left) LifePak®, with global sales in 2000 of \$150 million, was recently enhanced with improved, anti-aging ingredients. (Middle) After successfully launching in South Korea in 2000, the Body Design™ lifestyle system was introduced in the United States during the first quarter of 2001 and will be launched in other markets in the latter part of 2001. (Right) [ePharmanex](http://ePharmanex.com) was released in Japan in December 2000. Within one month, 18,000 personalized [ePharmanex](http://ePharmanex.com) web sites were established.



(Left) Dynamic Web Page Builder™ is one of Big Planet's top-selling products. (Middle) Launched during the first quarter of 2001, [eClips](http://eClips.com) are personalized, web-based advertisements with eye-catching elements to help Big Planet distributors build their online businesses virally. (Right) Big Planet electronically connects consumers through ISP, long-distance, wireless, and other enhanced telecommunications and Internet-based products and services.

DEAR FELLOW STOCKHOLDERS,

The year 2000 was a transition year. It was the first full year of financial results following our acquisition of Big Planet and our North American operations. During this transition period, we experienced an earnings decline. Revenue was down in 2000 to \$880 million from \$894 million in 1999, and net income was also down in 2000 to \$62 million from \$87 million in 1999 resulting in earnings per share of \$0.72 in 2000 compared to \$0.99 in 1999. These are clearly not banner results for Nu Skin Enterprises, and we are not satisfied with where we are today. We have challenges facing us and are working hard to address them. However, we have shown improvement in many areas throughout the year. We would like to share our view of the business and how we plan to fulfill our commitment to our shareholders in 2001: namely, resuming revenue and earnings per share growth.

Our top priority during 2000 was to stabilize our Asian markets. We are pleased with the progress we made during the year. In Japan, our largest market, fourth-quarter local currency revenue and the executive distributor count increased on both a sequential and a year-over-year basis—the first increases in two years. While we faced challenges in Taiwan, our third largest market, we believe we have addressed the problems and project revenue growth in 2001. We are seeing good signs in many of our other Asian markets. In addition to a strong Singapore opening in December, we generated more than 75 percent revenue



growth for the year in South Korea. After two years of declining revenue, which began with the economic crises in 1997, our Asian operations appear to have stabilized overall, and we believe these markets are now poised to produce modest local currency growth in 2001.

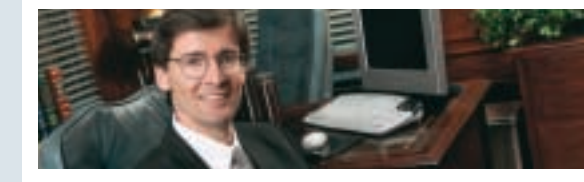
Another objective was to assume a leadership position in the direct selling industry by utilizing the vast capabilities of the Internet in our business. We believe Internet advancements promote our ability to communicate with our distributors, disseminate marketing information, drive online ordering to reduce selling, general, and administrative (SG&A) expenses, and enhance customer retention. Our Internet strategies are being implemented at both the corporate and the distributor level. We have already demonstrated the operating efficiencies that are possible by effectively employing the Internet in the order processing function of our business. In Japan, about 20 percent of distributor orders are placed online, yielding more than \$1 million in quarterly SG&A savings.

At the distributor level, Big Planet has offered personalized web capabilities to its representatives since 1998. Pharmanex launched its similar health-oriented Internet product in the United States and Japan in late 2000. And Nu Skin's comparable product was launched in the United States early in 2001. These personalized web sites are designed to serve as online business centers for our distributors by offering effective marketing tools, accommodating online ordering, and providing access to real-time sales information on their global business organizations.

As we look to 2001, our top priority is to increase the size of our U.S. business. In 2000, our U.S. revenue increased 20 percent to \$149 million, but we did not end the year as strongly as we would have liked. Our Big Planet business needs to become profitable. In 2001, growth in Big Planet will come largely through merchant relationships that provide distributors the opportunity to market differentiated goods with high margins.

Due to significant product launches in early 2001, we believe our Nu Skin and Pharmanex product lines have never been stronger. For example, Nu Skin's Tru Face™ Line Corrector is our first product to utilize peptide technology—targeted at improving deep lines and wrinkles. And we have great expectations for Pharmanex's Body Design™ system, which is one of the only weight loss programs supported by clinical trials demonstrating weight loss without using the controversial stimulant, ephedrine. In addition, as growth in the U.S. economy continues to slow and people begin looking for additional sources of income, it is a great time for the sponsoring energies of our leading distributors to focus on their home market and generate renewed growth.

Our second priority is to focus on programs and initiatives designed to increase the productivity of our distributors. In addition to enhancing our web-based tools, we are leveraging the success of our automatic purchase programs. Through Pharmanex's Automatic Delivery Program (ADP), we have seen measurable improvement in distributor productivity



during 2000. In Japan, for example, distributors who participate in ADP sponsor three times as many individuals into the business and purchase more product than distributors who do not participate in ADP. We believe ADP, combined with proven leadership programs, will stimulate sponsoring and improve retention in 2001.

Our final priority is to keep our product offerings fresh. By the end of 2001, our goal is to have 40 percent of revenue come from new and reformulated products launched during the year. We feel very confident that each division's management is well situated to continue launching significant product innovations in the future. We hope this annual report will help you see our business as we see it. We view ourselves as direct selling entrepreneurs. We have found great success in direct selling and are committed to this dynamic channel of

distribution. Our exceptional distributor force—the envy of the industry—has been the source of our success in the past and will be a catalyst for growth in the future. Our energy is focused on making our product mix, business opportunities, and culture the most compelling in the world of direct selling. As you read this report, we hope you will recognize the power of our company and consider *The View from Here*.



Blake M. Roney, Chairman



Steven J. Lund, President and CEO

WE ARE



A photograph of a dense forest with tall, thin trees and a dirt path leading through them. The path is covered in fallen leaves and ferns. The text "WE ARE" is overlaid on a dark blue rectangular background on the left side of the image.

WE ARE

COMMITTED TO A DYNAMIC CHANNEL

A CLOSER LOOK: LEVERAGING OUR DIRECT SELLING STRENGTHS

WE ARE A SUCCESSFUL DIRECT SELLING COMPANY because we recognize and leverage the unique advantages this growing channel offers. Over the past four years, the direct selling channel has grown at an annual rate of eight percent in the United States and three percent globally, illustrating the power of this method of distribution. A recent business journal stated “Word of mouth advertising is 50 times more powerful than [traditional] advertising.” As experts at implementing this one-on-one approach, we are able to promote new product sales without costly investments such as those associated with traditional advertising—a burden our retail competitors carry.

This is evidenced by our award-winning Nu Skin 180°™ Anti-Aging Skin Therapy System. Introduced in the United States during October 1999, Nu Skin 180° was launched globally in 2000. Through our direct sales force, we were able to successfully market this technologically advanced system with a promotional investment of only \$1 million. Today, Nu Skin 180° is generating revenue of \$40 million annually.

These figures demonstrate the power of the direct selling channel and, specifically, the person-to-person approach our direct sales force affords. The strength of this approach is what makes our direct sales force such an important asset. In essence, the roots of our success stem from the strength of our hundreds of thousands of distributors around the world. It is their skills, resources, and relationships that drive our business.

As we continue to leverage this direct selling strength, we create a dynamic marketing network—a network of loyal entrepreneurs that will grow as we develop programs that attract and retain distributors and customers.



The strength of direct selling is personal recommendation and the opportunity to educate customers. When you like something, you tell people about it because you want them to have that beneficial experience as well. Quality products create loyal and satisfied customers, and those are the products that Nu Skin Enterprises provides. It is a solid company with a strong management team. With those basic needs in place, the only limitations people have are those they put on themselves.

-Giselle and John Sexsmith, Hawaiian Blue Diamond Distributors

A SHARPER FOCUS: ENHANCING DISTRIBUTOR PRODUCTIVITY

WE ARE EMPOWERING OUR DIRECT SALES FORCE by developing programs that promote recurring product sales such as Pharmanex's Automatic Delivery Program (ADP) and Nu Skin's FountainClub. These programs, which offer incentives to distributors and customers who make an automatic monthly purchase commitment, address a common challenge in the direct selling industry—retaining distributors and their customers. As a result, these programs are positively affecting distributor retention and revenue, as demonstrated by the success of ADP.

Launched globally during the first quarter of 2000, ADP has influenced distributors to purchase two to three times more nutrition products per month than distributors who do not participate in the program. Today ADP accounts for 25 percent of Pharmanex's total revenue and generates more than 70,000 monthly orders. In addition, our research shows that distributors who enroll in ADP sponsor three times more individuals, are four times more likely to enter Pharmanex's leadership track, and remain active in the business for a much longer period of time.

Likewise, the FountainClub has stimulated similar success in the U.S. personal care market, creating a more stable stream of product sales volume for Nu Skin distributors and a stronger revenue base for Nu Skin Enterprises. As we continue to utilize technology to launch monthly purchase programs in our global personal care and nutrition markets, we anticipate improved stability in our revenue and enhanced distributor productivity.



I have a very high rate of sign-ups with the FountainClub because people see its value. I worked for a high-end skin care company for years, and the only time customers lined up was when there was a free gift. The FountainClub is our version of a free gift—but you get to choose your gift and it's ongoing. This program really helps me retain customers. Previously, some people went for months without ordering, now they're ordering every month as a FountainClub member.

—Mary Jane Sanchez, Lapis Distributor

WE ARE





WE ARE

POWERED BY INNOVATION

A KEEN VANTAGE POINT: FOCUSING ON A GLOBAL INTERNET STRATEGY

WE ARE REINVENTING BUSINESS FOR A NEW ERA of direct selling, a technological era fueled by the Internet. This medium offers a virtually untapped direct selling opportunity forecasted to foster \$33 billion in online sales by 2004. For more than a decade, we have sharpened our competitive edge by investing in excess of \$100 million in our technology infrastructure. Our commitment to technology has helped us become a leader in the direct selling industry and will empower us to successfully introduce our global Internet strategy.

The implementation of this strategy began in September 1999 with the introduction of our Distributor Plaza in Japan. This e-commerce platform enables Japanese distributors to place online orders and gain immediate access to downline reports and organizational sales volume tracking. The impact of this initiative on our business in Japan has been phenomenal: 83 percent of our distributor leaders utilize this technology and nearly 20 percent of all orders flow through the online plaza. This increase in online ordering has resulted in savings of \$1 million per quarter in order processing expenses.

In 2000, we continued to implement our Internet strategy by introducing personalized Pharmanex web sites in the United States and Japan. This stimulated the sale of 18,000 representative web sites in one month. Furthermore, we experienced record enrollment—the highest in two years—in our Executive qualification program in Japan during the fourth quarter of 2000.

As we carry out our global Internet strategy, we'll focus on introducing initiatives that enhance distributor productivity, reduce overhead costs, and secure a stream of ongoing revenue. We are confident this strategy will empower us to effectively leverage Internet sales based on three critical success factors: our existing customer base, personalized customer service, and distinguished product offerings.



In my 25 years in the direct selling industry, I have never seen such serious and rapid change as that being rendered by the Internet. Frankly speaking, the Internet is a tool that is updating direct selling; it is changing the perception of the industry to be more positive. Since we are one to three years ahead of our competition in technology, Nu Skin Enterprises has a competitive edge that will enable us to capitalize on this wave of the future.
—Takashi Bamba, President of Nu Skin Japan

A QUALITY PERSPECTIVE: STRENGTHENING OUR PRODUCT OFFERING

WE ARE COMMITTED TO PROVIDING PREMIUM QUALITY PRODUCTS.

Keeping this commitment requires us to frequently refresh our product offering and enables us to provide our direct sales force with the most advanced products available. LifePak®, the top selling product in our Pharmanex division since 1993, is a perfect example of this.

One of the leading multivitamin/mineral supplements in the world, LifePak was reformulated in 1999 after our research revealed the important benefits of green tea catechins—powerful antioxidants. Then in February 2001, we introduced our LifePak anti-aging formula, an even more advanced product offering. Reformulated to deliver 500 percent more lycopene, 300 percent more alpha-lipoic acid, and 150 percent more grape seed extract, this new anti-aging formula protects the body at the cellular level against oxidation and free radicals—a major cause of aging.

Revitalizing our product offering serves as a catalyst for sales. In 2000, \$109 million of our revenue stemmed from Nu Skin and Pharmanex products released within the previous 12 months. In 2001, we expect this amount to increase to more than \$250 million as a result of new and reformulated products to be launched during the year.

Among the products to be introduced in the United States is the Body Design™ lifestyle system. First launched in South Korea during 2000, Body Design was very successful, accounting for 16 percent of our 2000 revenue in this market. Based on this success, we plan to launch the system in many new markets in 2001.

The success we experience from refreshing our product offering is largely due to the fact that we have a more variable cost structure than our advertising-driven retail competitors. This empowers us to generate profit on new products faster than those sold through traditional retail channels and provides a richer opportunity for our direct sales force to boost sales volumes—and, consequently, company revenue.



In general, people want to be healthy, they want to look good. The Body Design program helps them achieve that. I was overweight and wanted to be thin so I decided to try the Body Design program when it was launched in South Korea. It paid off—I lost 26 pounds and two dress sizes, and gained self-confidence. In addition, Body Design has really boosted my business because people experience visible results. I know my business will continue to grow as a result of the Body Design program.
-Lee Gil Soo, Blue Diamond Distributor

WE ARE





WE ARE

A GLOBAL FORCE FOR GOOD

A COMPETITIVE ANGLE: PROVIDING ADVANTAGES THAT ATTRACT THE BEST

WE ARE PROUD OF OUR CORE STRENGTHS, WHICH PROVIDE A COMPETITIVE ADVANTAGE in the direct selling industry. Foremost among these strengths is the caliber of our nearly 500,000 individual distributors around the world. Their strength is illustrated by a 2000 U.S. demographic study, which showed more than half (58 percent) of our distributors have a college degree or higher, as compared to a 35 percent industry average according to the Direct Selling Association. Also significant is the fact that 88 percent of our U.S. distributors have Internet access—more than double the national average according to an August 2000 Department of Commerce report.

We attract such a distinguished level of distributors because we offer a generous financial return on time invested. Accordingly, our compensation plan is designed to reward individuals who build large sales networks. This means our distributor leaders earn commissions similar to or larger than those of sales executives for large global corporations—with the added benefit of personal and time freedom.

The integrity of our company is another advantage that attracts entrepreneurs to Nu Skin Enterprises. Our philosophy is to act as a force for good throughout the world. We fulfill this objective through our Force for Good® Foundation—a source of funding for protecting the environment, preserving indigenous cultures, finding cures for life-threatening diseases, and improving humanity.

In addition to our efforts through the Force for Good Foundation, we are an Official Sponsor of the Salt Lake 2002 Olympic Winter Games, the 2002 and 2004 U.S. Olympic and Paralympic Teams, and the U.S. Olympic Spirit Award. By aligning ourselves with excellence, we create a company that our distributors are proud to be associated with—a company that stands out from the competition.



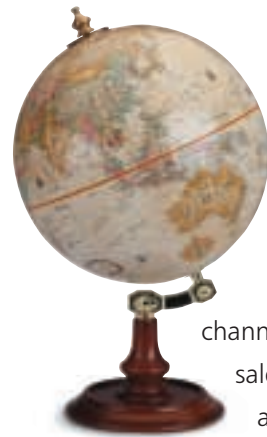
Over the years, Nu Skin Enterprises has implemented changes, making the company more attractive. First it expanded into international markets, which enabled us to build a global sales organization. Next, the company evolved its product lines, offering people the ability to look and feel good, plus earn the income needed to enjoy life. And now through the Force for Good Foundation, we can make a positive difference in the world, proving Nu Skin Enterprises is a company with heart.
-Pat and Marguerite Sung, Hawaiian Blue Diamond Distributors

A BRIGHT OUTLOOK: PREPARING FOR A LUCRATIVE FUTURE

WE ARE RESHAPING OUR BUSINESS TO STAY AT THE LEADING EDGE

of the changing direct selling world—a world in which we see tremendous opportunity. The Internet is transforming the way people do business. Nu Skin Enterprises recognizes this and is prepared to capitalize on the opportunities arising from this progress because we believe in the power of innovation.

It is innovation that will ensure we maintain our place at the forefront of the direct selling industry and innovation that has enabled us to grow into an industry leader over the last 16 years. Throughout this growing period, we have experienced both hits and misses. This has widened our view of the direct selling channel, given us greater insight into our unique advantages, and allowed us to focus on helping our distributors be more productive.



Today, based upon the strength of our field leadership, management teams, and product offerings, we are positioned to create new growth within each of our divisions and markets around the world, including potential new markets such as China and India. By setting our sights on growth opportunities, we foster a richer sponsoring environment for our distributors, empowering them to be more effective business leaders and, ultimately, to build more successful businesses.

As we look to the future, our vision is promising. We are entrepreneurs in a dynamic channel. Through innovation, we are raising the bar on industry standards, providing our global sales force with a strong foundation to build businesses upon. We are poised for success and the possibilities are endless. This is our outlook, this is THE VIEW FROM HERE.



MY DREAM IS TO BUILD AN INTERNATIONAL BUSINESS WITH NU SKIN ENTERPRISES—A BUSINESS I CAN BE PROUD OF AND THAT I'LL BE REWARDED FOR. THE TWO THINGS THAT WILL HELP ME ACHIEVE THIS ARE (1) THE INTERNET, WHICH IS REVOLUTIONIZING DIRECT MARKETING, AND (2) THE RISE OF THE ENTREPRENEUR. LIKE ME, PEOPLE WANT TO BE IN BUSINESS FOR THEMSELVES, THEY WANT TO HAVE MORE CONTROL OF THEIR OWN DESTINY, AND NU SKIN ENTERPRISES PROVIDES THAT OPPORTUNITY.
—LEN FARACE, SENIOR DIRECTOR/PHARMANEX REPRESENTATIVE



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www.nuskinenterprises.com 90013638