

# **NU SKIN ENTERPRISES, INC. 2008 DISTRIBUTOR COMPENSATION SUMMARY**

## **Company Overview**

Nu Skin Enterprises, Inc. (together with its affiliates, the "Company") is a global direct selling company that operates in 48 countries throughout North and South America, Asia and Europe. The Company operates in three divisions: (1) the Nu Skin division markets premium quality skin care and personal care products; (2) the Pharmanex division is a science-based developer of nutrition products; and (3) the Big Planet division markets and distributes Internet, technology, ebusiness tools and digital photography products.

## **Distributors**

The Company markets its products through a network of independent distributors. For purposes of this summary, an "Active Distributor" is a distributor who placed an order for products, promotional materials or services or renewed their distributorship during the most recent three-month period. In the United States, the Company had an average of 75,710 Active Distributors during 2008.

## **Compensation**

There are two fundamental ways in which a distributor can earn compensation:

- Through retail markups on sales of products purchased at wholesale prices; and
- Through commissions (sometimes called bonuses) paid on one's product sales and the sales of other distributors in one's downline sales network.

As with any other sales opportunity, the compensation earned by distributors varies significantly. The cost to become a distributor is very low. People become distributors for various reasons. Many people become distributors simply to enjoy the Company's products at wholesale prices. Some join the business to improve their skills or to experience the management of their own business. Others become distributors, but for various reasons, never purchase products from the Company. Consequently, many distributors never qualify to receive commissions.

**Generating meaningful compensation as a distributor requires considerable time, effort, and commitment. This is not a get rich quick program. There are no guarantees of financial success.**

## **Retail Markups**

Distributors can buy Nu Skin, Pharmanex and Big Planet products from the Company at wholesale prices for resale to customers or for personal consumption. Some Big Planet products are services, such as Internet access, on which there is no retail mark-up earned by distributors. In addition, some Big Planet products are lower margin products offered through Internet mall affiliates. Consequently, lower levels of commissions are paid on the sale of such products. The Company's suggested retail markup is 30% on most of its personal care and nutrition products. However, distributors are free to set their own selling price and may personally consume some of the products they purchase. As a result, the Company currently

neither provides an estimate of average income from retail sales, nor includes distributor retail income in its average commission information.

## Commissions

Distributors can also earn commissions based on the sale of products by distributors in his/her downline of sponsored distributors in all markets where the Company does business. The Company also sells promotional materials that do not generate commissions to distributors.

In 2008 the Company paid approximately \$529,400,000 in commissions and sales compensation globally. In the same period, the Company paid approximately \$107,686,324 in commissions to distributors residing in the United States.

The following table shows the average commissions paid in 2008 to U.S. distributors at the various levels of the Company's Sales Compensation Plan, including the average percentage of total Active Distributors and the average percentage of Executive-and-above distributors that earned commissions at each level. These figures do not include retail markup income.

Title	Monthly Average Commission Income at Each Level for 2008	Annualized Commissions <sup>1</sup>	Average Percentage of Active Distributors <sup>2</sup>	Average Percentage of Executive-and-above level distributors
Active Distributor Earning a Check (Non-Executive)	\$62.00	\$744.00	7.89%	N/A%
Qualifying Executive	228.00	2,736.00	1.29	N/A
Executive	441.00	5,292.00	2.96	59.9
Gold Executive	800.00	9,600.00	.93	18.9
Lapis Executive	1,405.00	16,860.00	.53	10.8
Ruby Executive	2,860.00	34,320.00	.19	3.8
Emerald Executive	5,634.00	67,608.00	.09	1.8
Diamond Executive	9,520.00	114,240.00	.08	1.7
Blue Diamond Executive	42,710.00	512,520.00	.15	3.1

The average commission paid to U.S. Active Distributors each month was \$118.50, or \$1,421.75 on an annualized basis. In 2008, the average monthly commission paid to U.S. Active Distributors who earned a commission check was \$814.50, or \$9,774.00 on an annualized basis. Note that these figures do not represent a distributor's profit, as they do not consider expenses incurred by a distributor in the promotion of his/her business and do not include retail markup income. On a monthly basis, an average of 14.11% of U.S. Active Distributors earned a commission check.<sup>3</sup> Active Distributors represented an average of 40.71% of total distributors.<sup>4</sup>

If you have any questions concerning this information, please contact the company at (800) 487-1000.

<sup>1</sup> These numbers are calculated by taking the monthly average commissions and multiplying by twelve.

<sup>2</sup> These percentages are calculated by taking the total monthly Distributor/Executive count and dividing it by the total number of monthly Active Distributors. One must then add the average percentage of Active Distributors at each level for each month during 2008 and divide by twelve.

<sup>3</sup> This number is calculated by adding the average percentage of Active Distributors in the above table.

<sup>4</sup> This percentage is obtained by taking the total average of monthly actives and dividing it by the total average of Distributors on a monthly basis. "Total Distributors" includes all U.S. Distributor accounts currently on file, irrespective of their purchasing products, promotional materials or services or earning commissions. "Distributor" numbers do not include customer or Preferred Customer accounts.