

2013

# NU SKIN ENTERPRISES, INC. DISTRIBUTOR COMPENSATION SUMMARY

## Company Overview

Nu Skin Enterprises, Inc. (together with its affiliates, the “Company”) is a global direct selling company that operates in more than 50 countries. The Company is differentiated by its ability to demonstrate that we have the best people, products, culture, and opportunity in the direct sales, skin care, anti-aging, and wellness industries. From our uniquely empowering culture, our innovative and clinically proven products, and our social responsibility initiatives, Nu Skin leads the way with an opportunity that is different from any other—defining Nu Skin as THE DIFFERENCE. DEMONSTRATED.

## Distributors

The Company markets its products through a network of Distributors. For purposes of this summary, an “Active Distributor” is a Distributor who placed an order for products, promotional materials or services during the most recent three-month period. In the United States, the Company had an average of 67,740 Active Distributors during 2013.

## 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 and is based upon the time Distributors devote to the business, etc. 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 Markup

Distributors can buy products from the Company at wholesale prices for resale to customers or for personal consumption. Specifically, Distributors

can earn up to 25% retail profit on customer purchases. However, while our published retail prices are competitive with similar products in the marketplace, the published retail price is only a suggested price and distributors are free to set their own retail prices for customers. As a result, the Company does not provide an estimate of average income from retail sales, nor include 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 network of sponsored Distributors in all countries where the Company does business. The Company also sells promotional materials that do not generate commissions for Distributors.

In 2013, the Company paid approximately \$143,266,000 in commissions to Distributors residing in the United States.

The following table shows the average commissions paid in 2013 to U.S. Distributors at various levels in 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.

The average commission paid to U.S. Active Distributors each month was \$176.00, or \$2,112.05 on an annualized basis. In 2013, the average monthly commission paid to U.S. Active Distributors who earned a commission check was \$1,240.12, or \$14,881.48 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 14.19% of U.S. Active Distributors earned a commission check.<sup>3</sup> Active Distributors represented an average of 39.17% of total distributors.<sup>4</sup>

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

| TITLE  | Monthly Average Commission Income at Each Level for 2013 | Annualized Commissions <sup>1</sup> | Average Percentage of Active Distributor <sup>2</sup> | Average Percentage of Executive-and-above level Distributors |
|--|--|-------------------------------------|---|--|
| Active Distributor Earning a Check (Non-Executive) | \$30.00  | \$360.00                            | 5.38%   | N/A  |
| Qualifying Executive                               | 86.00  | 1,032.00                            | 1.74  | N/A  |
| Provisional Executive                              | 35.00  | 420.00                              | 0.33  | N/A  |
| Executive  | 451.00   | 5,412.00                            | 4.07  | 60.26%   |
| Gold Executive                                     | 887.00   | 10,644.00                           | 1.09  | 16.13  |
| Lapis Executive                                    | 1,553.00   | 18,636.00                           | 0.77  | 11.38  |
| Ruby Executive                                     | 2,874.00   | 34,488.00                           | 0.36  | 5.39   |
| Emerald Executive                                  | 5,196.00   | 62,352.00                           | 0.15  | 2.24   |
| Diamond Executive                                  | 10,639.00  | 127,668.00                          | 0.12  | 1.77   |
| Blue Diamond Executive                             | 53,263.00  | 639,156.00                          | 0.19  | 2.84   |

<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 average of the total monthly Distributor/Executive payee count at each level and dividing it by the total number of monthly Active Distributors.

<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.