

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

011-12421
(Commission File No.)

87-0565309
(IRS Employer
Identification No.)

75 West Center Street
Provo, UT 84601
(Address of principal executive offices)

(801) 345-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 8, 2003, 36,374,253 shares of the Company's Class A common stock, \$.001 par value per share, and 44,189,344 shares of the Company's Class B common stock, \$.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

2003 FORM 10-Q QUARTERLY REPORT – SECOND QUARTER

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Nu Skin, Pharmanex and Big Planet are trademarks of Nu Skin Enterprises, Inc. or its Subsidiaries.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NU SKIN ENTERPRISES, INC.

Consolidated Balance Sheets

(in thousands)

	June 30, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113,650	\$ 120,341
Accounts receivable	16,028	18,914
Inventories, net	89,386	88,306
Prepaid expenses and other	46,073	48,878
	<u>265,137</u>	<u>276,439</u>
Property and equipment, net	56,568	55,342
Goodwill	118,768	118,768
Other intangible assets, net	67,542	69,181
Other assets	94,082	92,108
	<u>602,097</u>	<u>611,838</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,686	\$ 17,992
Accrued expenses	50,042	77,808
	<u>65,728</u>	<u>95,800</u>
Long-term debt	81,077	81,732
Other liabilities	54,176	47,820
	<u>200,981</u>	<u>225,352</u>
Stockholders' equity:		

Class A common stock - 500,000,000 shares authorized, \$.001 par value, 36,108,131 and 35,707,785 shares issued and outstanding	36	36
Class B common stock - 100,000,000 shares authorized, \$.001 par value, 44,189,344 and 45,362,854 shares issued and outstanding	44	45
Additional paid-in capital	64,551	69,803
Accumulated other comprehensive loss	(64,647)	(68,988)
Retained earnings	403,920	385,590
Deferred compensation (Note 10)	(2,788)	--
	<u>401,116</u>	<u>386,486</u>
Total liabilities and stockholders' equity	<u>\$ 602,097</u>	<u>\$ 611,838</u>

The accompanying notes are an integral part of these consolidated financial statements.

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NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Revenue	\$ 240,720	\$ 244,924	\$ 460,352	\$ 461,003
Cost of sales	45,292	48,629	86,901	92,713
Gross profit	<u>195,428</u>	<u>196,295</u>	<u>373,451</u>	<u>368,290</u>
Operating expenses:				
Distributor incentives	97,492	96,567	185,528	179,400
Selling, general and administrative	72,197	69,303	142,470	137,992
Total operating expenses	<u>169,689</u>	<u>165,870</u>	<u>327,998</u>	<u>317,392</u>
Operating income	25,739	30,425	45,453	50,898
Other income (expense), net	965	(1,800)	1,541	(1,809)
Income before provision for income taxes	26,704	28,625	46,994	49,089
Provision for income taxes	9,880	10,591	17,387	18,163
Net income	<u>\$ 16,824</u>	<u>\$ 18,034</u>	<u>\$ 29,607</u>	<u>\$ 30,926</u>
Net income per share (Note 3):				
Basic	\$.21	\$.22	\$.37	\$.38
Diluted	\$.21	\$.22	\$.36	\$.37
Weighted average common shares outstanding:				
Basic	80,403	81,785	80,589	82,085
Diluted	81,561	83,568	81,890	83,439

The accompanying notes are an integral part of these consolidated financial statements.

Nu Skin Enterprises, Inc. (the “Company”) is a leading, global, direct selling company that develops and distributes premium-quality, innovative personal care products and nutritional supplements through a large network of independent distributors. The Company also distributes technology and telecommunications products and services through its distributors. The Company reports revenue from five geographic regions: North Asia, which consists of Japan and South Korea; North America, which consists of the United States and Canada; Greater China, which consists of Mainland China, Hong Kong (including Macau) and Taiwan; South Asia/Pacific, which consists of Australia, Malaysia, New Zealand, the Philippines, Singapore and Thailand; and Other Markets, which consists of the Company’s markets in Brazil, Europe, Guatemala and Mexico (the Company’s subsidiaries operating in these countries are collectively referred to as the “Subsidiaries”).

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and the Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company’s financial information as of June 30, 2003, and for the three- and six-month periods ended June 30, 2003 and 2002. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2002.

2. STOCK-BASED COMPENSATION

The Company measures compensation expense for its stock-based employee compensation plans. SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans based on the fair market value of options granted. The Company has chosen to account for stock based compensation using the intrinsic value method prescribed in Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, because the grant price equals the market price on the date of grant for options issued by the Company, no compensation expense is recognized for stock options issued to employees. On December 31, 2002, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 148, *Accounting for Stock Based Compensation – Transition and Disclosure*. SFAS No. 148 requires more prominent and frequent disclosures about the effects of stock-based compensation. The Company will continue to account for its stock based compensation according to the provisions of APB Opinion No. 25. Had compensation cost for the Company’s stock options been recognized based upon the estimated fair value on the grant date under the fair value methodology prescribed

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

by SFAS No. 123, as amended by SFAS No. 148, the Company’s net earnings and earnings per share would have been as follows (in thousands, except per share amounts):

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net income, as reported	\$ 16,824	\$ 18,034	\$ 29,607	\$ 30,926
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,332)	(1,415)	(2,728)	(2,693)
Pro forma net income	<u>\$ 15,492</u>	<u>\$ 16,619</u>	<u>\$ 26,879</u>	<u>\$ 28,233</u>
Earnings per share:				
Basic - as reported	\$ 0.21	\$ 0.22	\$ 0.37	\$ 0.38
Basic - pro forma	\$ 0.19	\$ 0.20	\$ 0.33	\$ 0.34
Diluted - as reported	\$ 0.21	\$ 0.22	\$ 0.36	\$ 0.37
Diluted - pro forma	\$ 0.19	\$ 0.20	\$ 0.33	\$ 0.34

3. NET INCOME PER SHARE

Net income per share is computed based on the weighted average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented. For the three- and six-month periods ended June 30, 2003, other stock options totaling 3.7 million and 3.6 million, respectively, were excluded from the calculation of

diluted earnings per share because they were anti-dilutive. For the three- and six-month periods ended June 30, 2002, other stock options totaling 1.5 million and 2.9 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

4. DIVIDENDS PER SHARE

In May 2003, the board of directors declared a quarterly cash dividend of \$0.07 per share for all classes of common stock. This quarterly cash dividend of \$5.6 million was paid on June 25, 2003, to stockholders of record on June 6, 2003. Quarterly cash dividends for the six-month period ended June 30, 2002 totaled \$11.3 million.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company recognizes all derivatives as either assets or liabilities, with the instruments measured at fair value. Changes in the fair value of derivatives are

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

recorded each period in current earnings or other comprehensive income, depending on the intended use of the derivative and its resulting designation. The Company's Subsidiaries enter into significant transactions with each other and third parties which may not be denominated in the respective Subsidiaries' functional currencies. The Company seeks to reduce its exposure to fluctuations in foreign exchange rates through the use of foreign currency exchange contracts and through certain intercompany loans of foreign currency. The Company does not use such derivative financial instruments for trading or speculative purposes. The Company regularly monitors its foreign currency risks and periodically takes measures to reduce the impact of foreign exchange fluctuations on the Company's operating results. Gains and losses on certain intercompany loans of foreign currency are recorded as other income and expense in the consolidated statements of income.

At June 30, 2003 and December 31, 2002, the Company held forward contracts designated as foreign currency cash flow hedges with notional amounts totaling approximately \$91.0 million and \$124.6 million, respectively, to hedge foreign currency intercompany transactions. All such contracts were denominated in Japanese yen. The net impact on foreign currency cash flow hedges recorded in current earnings were losses of \$1.5 million and \$2.8 million for the three- and six-month periods ended June 30, 2003, respectively, and were gains of \$1.5 million and \$3.8 million for the three- and six-month periods ended June 30, 2002, respectively. Those contracts held at June 30, 2003 have maturities through June 2004 and accordingly, all unrealized gains on foreign currency cash flow hedges included in other comprehensive income at June 30, 2003 will be recognized in current earnings over the next twelve-month period.

6. REPURCHASE OF COMMON STOCK

During the three-month periods ended June 30, 2003 and 2002, the Company repurchased approximately 235,000 and 429,000 shares of Class A common stock, respectively, for approximately \$2.3 million and \$5.6 million, respectively. During the six-month periods ended June 30, 2003 and 2002, the Company repurchased approximately 794,000 and 602,000 shares of Class A common stock, respectively, for approximately \$8.2 million and \$7.0 million, respectively.

7. COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three- and six-month periods ended June 30, 2003 and 2002, were as follows (in thousands):

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net income	\$ 16,824	\$ 18,034	\$ 29,607	\$ 30,926

Other comprehensive income (loss), net of tax:

Foreign currency translation adjustments	2,109	(5,849)	1,154	(7,574)
Net unrealized gains (losses) on foreign currency cash flow hedges	1,377	(5,968)	1,577	(5,933)
Net (gains) losses reclassified into current earnings	854	(788)	1,610	(2,355)

Comprehensive income	\$ 21,164	\$ 5,429	\$ 33,948	\$ 15,064
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8. SEGMENT INFORMATION

The Company operates in a single reportable operating segment by selling products to a global network of independent distributors that operates in a seamless manner from market to market. The Company's largest expense is the commissions paid on product sales through this distributor network. The Company manages its business primarily by managing this global distributor network. However, the Company does recognize revenue from sales to distributors in five geographic regions: North Asia, North America, Greater China, South Asia/Pacific and Other Markets. Revenue generated in each of these regions is set forth below (in thousands):

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Region:				
North Asia	\$ 152,037	\$ 154,242	\$ 287,331	\$ 285,487
North America	31,702	34,550	62,964	69,573
Greater China	30,021	26,025	57,074	48,288
South Asia/Pacific	18,028	22,926	35,930	43,820
Other Markets	8,932	7,181	17,053	13,835
Totals	\$ 240,720	\$ 244,924	\$ 460,352	\$ 461,003

Additional information as to the Company's operations in different geographical areas is set forth below (in thousands):

Revenue

Revenue from the Company's operations in Japan totaled \$137,467 and \$136,579 for the three-month periods ended June 30, 2003 and 2002, respectively, and totaled \$259,397 and \$253,637 for the six-month periods ended June 30, 2003 and 2002, respectively. Revenue from the Company's operations in the United States totaled

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NU SKIN ENTERPRISES, INC. Notes to Consolidated Financial Statements

\$29,418 and \$32,487 for the three-month periods ended June 30, 2003 and 2002, respectively, and totaled \$58,244 and \$65,704 for the six-month periods ended June 30, 2003 and 2002, respectively.

Long-lived assets

Long-lived assets in Japan were \$18,607 and \$20,210 as of June 30, 2003 and December 31, 2002, respectively. Long-lived assets in the United States were \$275,025 and \$276,030 as of June 30, 2003 and December 31, 2002, respectively.

9. NEW PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*. The Company is currently evaluating this standard, however, it does not believe it will have a significant effect on its financial statements.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, which is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. It is anticipated that the financial impact of SFAS 149 will not have a material effect on the Company.

10. DEFERRED COMPENSATION

The deferred compensation at June 30, 2003 represents a restricted stock award of 250,000 shares of the Company's Class A common stock granted to the Company's newly appointed president in January 2003, which vests over four years.

11. SUBSEQUENT EVENTS

In July 2003, the board of directors declared a quarterly cash dividend of \$0.07 per share for all classes of common stock to be paid in September 2003.

On July 23, 2003, the board of directors approved the Company's divestiture of its professional employer organization operated through Big Planet. The Company anticipates a one-time charge of approximately \$5 million to \$6 million during the third quarter of 2003 resulting from this decision and expenses associated with an early retirement program and other employee separation charges.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis should be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the year ended December 31, 2002, filed with the Securities and Exchange Commission ("SEC") on March 4, 2003, and our other filings, including Current Reports on Form 8-K, filed with the SEC through the date of this Report.

Results of Operations

Revenue

Overview. Revenue decreased 1.7% and 0.1% to \$240.7 million and \$460.4 million for the three- and six-month periods ended June 30, 2003, from \$244.9 million and \$461.0 million for the same periods in 2002. Excluding the impact of changes in foreign currency exchange rates, we experienced a revenue decline of 5.4% and 5.9% for the three- and six-month periods ended June 30, 2003 compared to the same periods in the prior year, respectively. Revenue for the six months ended June 30, 2003 was negatively impacted by several factors, including the shift of attention of our distributor leaders during the first part of the year away from their home markets to focus on China, significant declines in revenue in Singapore and Malaysia and the impact of weak economic conditions in North Asia. In addition, revenue was negatively affected by a decline in revenue from sales of our low-margin Internet and telecommunication products and a decline in revenue from our professional employer organization in the United States as we focused on promoting growth in our personal care and nutritional businesses. Revenue was also negatively impacted by the global SARS epidemic. Revenue during the second quarter of 2002 was positively affected by distributor excitement and activity surrounding our announcement in that quarter of our plans to expand operations in China in 2003. We have focused our initiatives on generating revenue growth in Japan, revitalizing the U.S. business and growing our operations in China. As discussed below, we believe we have begun to see positive results during the second quarter from these initiatives.

North Asia. Revenue in North Asia decreased 1.4% to \$152.0 million from \$154.2 million for the three-month periods ended June 30, 2003 and 2002, respectively, and increased 0.6% to \$287.3 million for the six-month period ended June 30, 2003, from \$285.5 million for the same period in 2002. Excluding the impact of changes in foreign currency exchange rates, revenue in North Asia declined 7.8% and 7.5% for the three- and six-month periods ended June 30, 2003 compared to the same periods in 2002. In Japan, revenue increased 0.7% and 2.3% to \$137.5 million and \$259.4 million for the three- and six-month periods ended June 30, 2003, from \$136.6 million and \$253.6 million for the same periods in 2002. In local currency, however, revenue in Japan declined 6.1% and 6.3% for the three- and six-month periods ended June 30, 2003 compared to the same periods in 2002. We believe that the local currency revenue decline in Japan is the result of the shift of the attention of distributor leaders during the first part of the year as described above as well as the impact of weak economic conditions. These factors also contributed to a decline in distributor leaders in Japan during the first half of 2003 compared to the same prior-year period. After several quarters of deteriorating year-over-year comparisons in this market, however, we note that the second quarter year-over-year comparison remained level with the first quarter comparison. This was due to new product introductions, including ReishiMax GLP™, which promotes a healthy immune system, and TruFace™ Essence, an advanced skin-firming product, as well as distributor incentives

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implemented to promote executive development. These product introductions and distributor initiatives are helping to overcome some of the factors that impacted first quarter 2003 revenue in Japan.

In South Korea, revenue decreased 17.5% and 12.5% to \$14.6 million and \$27.9 million for the three- and six-month periods ended June 30, 2003, from \$17.7 million and \$31.9 million for the same periods in 2002. In local currency, revenue in South Korea decreased 21.0% and 17.9% for the three- and six-month periods ended June 30, 2003 compared to the same periods in 2002. The decrease in South Korea was primarily a result of the difficult economic and political environment in that market, as well as regulatory changes requiring a modification to our sales incentive plan and some leading distributors spending time in China in early 2003.

North America. Revenue in North America, consisting of the United States and Canada, decreased 8.4% and 9.5% to \$31.7 million and \$63.0 million for the three- and six-month periods ended June 30, 2003, from \$34.6 million and \$69.6 million for the same periods in 2002. Revenue in the United States declined 9.5% and 11.4% to \$29.4 million and \$58.2 million for the three- and six-month periods ended June 30, 2003, from \$32.5 million and \$65.7 million for the same periods in 2002. The decline in revenue in the United States is principally a result of significant declines in revenue from our professional employer organization and our Big Planet telecommunication and dial-up Internet access products. Because of the low margin nature of these products and decreasing demand for dial-up access, we have focused our efforts on promoting growth in our nutritional and personal care businesses. As a result, we experienced a decline in Big Planet revenue of \$4.0 million and \$8.3 million for the three- and six-month periods ended June 30, 2003, compared to the same periods in 2002. In order to improve profitability, we will be transitioning our enhanced telecommunications products from a "provider" to an "agency" relationship effective August 1, 2003, and plan to sell our professional employer organization, which generated revenue of \$4.0 million and \$7.9 million for the three- and six-month periods ended June 30, 2003. We expect these strategic actions to positively impact gross margins and operating margins, but negatively impact revenue in future quarters.

Increasing distributor activity tied to the Pharmanex BioPhotonic Scanner program, however, resulted in 37.0% growth in our Pharmanex revenue, with Nu Skin revenue holding relatively flat during the second quarter of 2003 compared to the prior year period. Moreover, we experienced an 18.0% year over year increase in our executive distributors in the United States and a 29.0% increase in automatic delivery orders compared to the prior year period. In regards to the

inquiry by the Food and Drug Administration or FDA related to the medical device status of the Pharmanex BioPhotonic Scanner, the FDA has not responded yet to our request to classify the scanner as a non-medical device. In the event the FDA concludes that the scanner requires medical device clearance, which could delay or inhibit our ability to market the scanner, we currently intend to contest any such conclusion. Nevertheless, we are also pursuing medical device clearance in the event the FDA requires that the scanner should be marketed as a medical device. We continue to believe it could take from six to twelve months from the time we file a formal application to get the scanner cleared as a medical device.

In Canada, revenue increased 9.5% and 20.5% to \$2.3 million and \$4.7 million for the three- and six-month periods ended June 30, 2003, from \$2.1 million and \$3.9 million for the same periods in the prior year. In local currency, revenue in Canada was relatively flat.

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Greater China. Revenue in Greater China, consisting of Mainland China, Hong Kong and Taiwan, increased 15.4% and 18.2% to \$30.0 million and \$57.1 million for the three- and six-month periods ended June 30, 2003, from \$26.0 million and \$48.3 million for the same periods in 2002, primarily as a result of the expansion of operations in China. Revenue in China was \$5.8 million and \$9.7 million for the three- and six-month periods ended June 30, 2003 following our expansion of retail operations in China in January 2003. On a sequential basis, revenue in China increased 49.8%. Recently, Chinese governmental agencies completed a review of our operations, which resulted in no changes to our current business model. We are also currently conducting sales activities at all of our retail stores. We believe we have made good progress in building a solid foundation for strong growth in China.

The increase in revenue in China was somewhat offset by a decline in revenue in Taiwan and Hong Kong in the second quarter. Revenue in Taiwan decreased 5.5% and 0.5% to \$18.8 million and \$36.4 million for the three- and six-month periods ended June 30, 2003, from \$19.9 million and \$36.6 million for the same periods in 2002. In local currency, revenue in Taiwan decreased 4.6% and 0.7% for the three- and six-month periods ended June 30, 2003 compared to the same periods in 2002. Revenue in Hong Kong decreased 5.3% to \$5.4 million for the three-month period ended June 30, 2003, from \$5.7 million for the same period in 2002. Revenue in Hong Kong increased 2.8% to \$11.0 million for the six-month period ended June 30, 2003, from \$10.7 million for the same period in 2002. We believe that the SARS epidemic negatively impacted revenue in Taiwan and Hong Kong during the second quarter. In addition, revenue in Taiwan and Hong Kong during the second quarter of 2002 had been positively impacted by distributor enthusiasm surrounding our announcement of plans to expand retail operations in China during that quarter.

South Asia/Pacific. Revenue in South Asia/Pacific, consisting of Thailand, the Philippines, Australia/New Zealand, Singapore and Malaysia, decreased 21.4% and 18.0% to \$18.0 million and \$35.9 million for the three- and six-month periods ended June 30, 2003, from \$22.9 million and \$43.8 million for the same periods in 2002. Excluding the impact of changes in foreign currency exchange rates, revenue in South Asia/Pacific decreased 24.1% and 21.0% for the three- and six-month periods ended June 30, 2003, compared to the same periods in 2002. The decrease in revenue in this region was due primarily to the combined decrease in Singapore and Malaysia of 48.8% and 43.8% to \$8.6 million and \$18.2 million for the three- and six-month periods ended June 30, 2003, from \$16.8 million and \$32.4 million for the same periods in 2002. Both Singapore and Malaysia were opened in the last two years. In smaller markets we often experience a revenue contraction after an initial period of rapid revenue growth following the opening. This revenue contraction occurred later than usual in Singapore and Malaysia and was more pronounced than anticipated. We believe that this was due in part to excitement among distributors for the opening of expanded operations in China in January 2003, which drove revenue growth throughout 2002, and the negative impact on revenue of some distributors in these markets promoting unhealthy business practices. This decrease was somewhat offset by an increase in revenue in both Thailand and combined Australia/New Zealand. Revenue in Thailand increased 85.7% and 86.5% to \$5.2 million and \$9.7 million for the three- and six-month periods ended June 30, 2003, from \$2.8 million and \$5.2 million for the same periods in 2002. Combined revenue in Australia/New Zealand increased 25.9% and 37.5% to \$3.4 million and \$6.6 million for the three- and six-month periods ended June 30, 2003, from \$2.7 million and \$4.8 million for the same periods in 2002.

Other Markets. Revenue in Other Markets, which includes our European and Latin American operations, increased 23.6% and 23.9% to \$8.9 million and \$17.1 million for the

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three- and six-month periods ended June 30, 2003, from \$7.2 million and \$13.8 million for the same periods in 2002. This increase is primarily due to a 28.0% and 26.8% increase in revenue in Europe including the favorable impact of currency fluctuations in Europe for the three- and six-month periods ended June 30, 2003, compared to the same prior year periods.

Gross profit

Gross profit as a percentage of revenue increased to 81.2% and 81.1% for the three- and six-month periods ended June 30, 2003, from 80.2% and 79.9% for the same periods in 2002. Our gross profit was positively impacted by the decline in low margin revenue from Big Planet and our professional employment organization as well as the positive impact of fluctuations in foreign currency in 2003 compared to the same prior-year periods. We purchase a significant majority of our goods in U.S. dollars and recognize revenue in local currencies. Consequently, we are subject to exchange rate risks in our gross margins.

Distributor incentives

Distributor incentives as a percentage of revenue increased to 40.5% and 40.3% for the three- and six-month periods ended June 30, 2003, from 39.4% and 38.9% for the same periods in 2002. In U.S. dollars, distributor incentives increased to \$97.5 million and \$185.5 million for the three- and six-month periods ended June 30, 2003, from \$96.6 million and \$179.4 million for the same periods in 2002. The decline in revenue from Big Planet products and services, which pay lower commissions than our personal care and nutritional supplement product categories, contributed to the increase in distributor incentives in 2003. In addition, the increase in distributor incentives is due to special incentives designed to develop distributor leadership, particularly in Japan and the United States.

Selling, general and administrative

Selling, general and administrative expenses as a percentage of revenue increased to 30.0% and 31.0% for the three- and six-month periods ended June 30, 2003, from 28.3% and 29.9% for the same periods in 2002. In U.S. dollars, selling, general and administrative expenses increased to \$72.2 million and \$142.5 million for the three- and six-month periods ended June 30, 2003, from \$69.3 million and \$138.0 million for the same periods in 2002. The increase during the second quarter of 2003 in selling, general and administrative expenses was due to \$3.5 million of incremental costs associated with the expansion of retail operations in China as well as \$1.6 million due to the negative impact of foreign currency fluctuations on operating expenses in 2003. The increase for the six-month period in 2003 was also impacted by approximately \$4.0 million of expenses incurred during the first quarter of 2003 for a distributor convention held in Japan, which was not held in 2002. These expenses were somewhat offset by our continued efforts to improve efficiencies from cost-saving technology and automated reordering initiatives, which have enabled us to carefully control our labor expenses. The first quarter of 2002 included \$2.5 million of expenditures related to our sponsorship of the 2002 Winter Olympic Games in Salt Lake City.

We are taking a close look at our cost structure to make sure our spending is focused on our most promising growth opportunities and initiatives. The divestiture of the professional employer organization is part of this effort. In addition, we have offered an early retirement package and we are evaluating every business function to focus our resources on our strategic priorities. In the third quarter of 2003, we anticipate a one-time charge of

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approximately \$5 million to \$6 million resulting from the divestiture of our professional employer organization and expenses associated with an early retirement program and other employee separation charges associated with our evaluation of our business functions and efforts to focus corporate resources on current strategic priorities.

Other income (expense), net

Other income (expense), net increased approximately \$2.8 million and \$3.4 million for the three- and six-month periods ended June 30, 2003, compared to the same periods in 2002. Changes in other income (expense), net are primarily impacted by foreign exchange fluctuations to the U.S. dollar on the translation of yen-based bank debt and other foreign denominated intercompany balances into U.S. dollars for financial reporting purposes, as well as interest income and interest expense.

Provision for income taxes

Provision for income taxes decreased to \$9.9 million and \$17.4 million for the three- and six-month periods ended June 30, 2003, compared to \$10.6 million and \$18.2 million for the same periods in 2002. The effective tax rate remained at 37.0% of pre-tax income for 2003 and 2002.

Net income

Net income decreased to \$16.8 million and \$29.6 million for the three- and six-month periods ended June 30, 2003, compared to \$18.0 million and \$30.9 million for the same periods in 2002. Net income decreased primarily because of the factors noted above in "revenue" "distributor incentives" and "selling, general and administrative" and was somewhat offset by the factors noted in "gross profit" and "other income (expense), net" above.

Liquidity and Capital Resources

Historically, our principal needs for funds have been for operating expenses including distributor incentives, working capital (principally inventory purchases), capital expenditures and the development of operations in new markets. We have generally relied on cash flow from operations to meet our cash needs and business objectives without incurring long-term debt to fund operating activities.

We typically generate positive cash flow from operations due to favorable gross margins, the variable nature of distributor incentives, which constitute a significant percentage of operating expenses, and minimal capital requirements. We generated \$19.2 million in cash from operations during the six-month period ended June 30, 2003, compared to \$46.8 million during the six-month period ended June 30, 2002. The decrease in cash generated from operations during the six-month period ended June 30, 2003 is largely related to the payment of a higher amount of accrued expenses, including income taxes and commissions to distributors, during the first half of 2003 compared to the same prior year period. These accrued expenses were substantially higher at December 31, 2002 than the amounts accrued at December 31, 2001 because revenue and profitability were significantly higher in 2002.

As of June 30, 2003, working capital was \$199.4 million compared to \$180.6 million as of December 31, 2002. Cash and cash equivalents at June 30, 2003 and December 31, 2002,

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were \$113.7 million and \$120.3 million, respectively. The decrease in cash balances and the increase in working capital for the first half of the year was primarily due to the payment of accrued expenses noted above. In addition, working capital increased due to certain reclassifications of deferred tax assets and liabilities.

Capital expenditures, primarily for equipment, including the BioPhotonic Scanner, computer systems and software, office furniture and leasehold improvements, were \$10.4 million for the six-month period ended June 30, 2003. In addition, we anticipate capital expenditures during the remainder of 2003 of approximately \$15 million to \$20 million to further enhance our infrastructure, including enhancements to computer systems and software, purchase of additional BioPhotonic Scanners, which we lease to our distributors, as well as further expansion of our retail stores, manufacturing and related infrastructure in China.

Our long-term debt consists of 9.7 billion Japanese yen-denominated ten-year senior notes issued to the Prudential Insurance Company of America. The notes bear interest at an effective rate of 3.03% per annum and are due October 2010, with annual principal payments beginning October 2004. As of June 30, 2003, the outstanding balance on the notes was 9.7 billion Japanese yen, or \$81.1 million.

We also maintain a \$30 million revolving credit agreement, or the revolving credit facility, with Bank of America, N.A. and Bank One Utah, N.A. for which Bank of America, N.A. acted as agent. Drawings on this revolving credit facility may be used for working capital, capital expenditures and other purposes including repurchases of our outstanding shares of Class A common stock. The revolving credit facility is set to expire on May 10, 2004. There were no outstanding balances relating to the revolving credit facility as of June 30, 2003. The Japanese notes and the revolving credit facility are both secured by guarantees issued by our material Subsidiaries and by a pledge of 65% of the outstanding stock of Nu Skin Japan Company Limited, our operating subsidiary in Japan.

Since August 1998, our board of directors has authorized us to repurchase up to \$90.0 million of our outstanding shares of Class A common stock. The repurchases are used primarily to fund our equity incentive plans. During the three- and six-month periods ended June 30, 2003, we repurchased approximately 235,000 shares and 794,000 shares of Class A common stock for an aggregate amount of approximately \$2.3 million and \$8.2 million. As of June 30, 2003, we had repurchased a total of approximately 8.7 million shares of Class A common stock for an aggregate price of approximately \$81.4 million.

In May 2003, our board of directors declared a quarterly cash dividend of \$0.07 per share for all classes of common stock. This quarterly cash dividend of \$5.6 million was paid on June 25, 2003, to stockholders of record on June 6, 2003. The board of directors also recently declared a quarterly cash dividend of \$0.07 per share for all classes of common stock to be paid in September 2003. We anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

We believe we have sufficient liquidity to be able to meet our obligations on both a short- and long-term basis. We currently believe that existing cash balances together with

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future cash flows from operations will be adequate to fund the cash needs relating to the implementation of our strategic plans. The majority of our expenses are variable in nature and as such, a potential reduction in the level of revenue would reduce our cash flow needs. However, in the event that our current cash balances, future cash flow from operations and current lines of credit are not sufficient to meet our obligations or strategic needs, we would consider raising additional funds in the debt or equity markets or restructuring our current debt obligations. Additionally, we would consider realigning our strategic plans including a reduction in capital spending and a reduction in the level of stock repurchases or dividend payments.

Critical Accounting Policies

The following critical accounting policies and estimates should be read in conjunction with our audited consolidated financial statements and related notes thereto. Management considers the most critical accounting policies to be the recognition of revenue, accounting for income taxes, accounting for intangible assets and accounting for the impact of foreign currencies. In each of these areas, management makes estimates based on historical results, current trends and future projections.

Revenue. We recognize revenue when products are shipped, which is when title passes to our independent distributors. We offer a return policy whereby distributors can generally return unopened and unused product for up to 12 months subject to a 10% restocking fee. Reported revenue is net of returns, which have historically been less than 5.0% of gross sales. A reserve for product returns is accrued based on historical experience. In the event that certain expenses, including our distributor incentives, were deemed to be reductions of revenue (under the provisions of EITF 01-09) rather than operating expenses, our reported revenue would be reduced as would our operating expenses. However, since our global distributor compensation plan for our distributors does not provide rebates or selling discounts to distributors who purchase our products and services, we believe our current classification is correct and that no adjustment to reported revenue and operating expenses is necessary.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." This statement establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We pay income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between our foreign affiliates and us. Deferred tax assets and liabilities are created in this process. As of June 30, 2003, we have net deferred tax assets of \$60.6 million. These net deferred tax assets assume sufficient future earnings will exist for their realization, as well as the continued application of current tax rates. We have considered projected future taxable income and ongoing tax planning strategies in determining that no valuation allowance is required. In the event we were to determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to earnings in the period such determination was made.

Intangible Assets. As of June 30, 2003, we had approximately \$157.7 million of unamortized goodwill and other indefinite-life intangible assets. Under the provisions of SFAS No. 142, we are required to test these assets for impairment at least annually. The annual impairment tests have been completed for the year ended December 31, 2002 and did not

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result in an impairment charge. To the extent an impairment is identified in the future, we will record the amount of the impairment as an operating expense in the period in which it is identified.

Foreign Currency Fluctuations. We operate in more than 30 countries and generate the majority of our revenue and income in foreign currencies in international markets. Consequently, significant fluctuations in foreign currencies, particularly the Japanese yen, will have an impact on reported results. We seek to reduce our exposure to fluctuations in foreign currency exchange rates through intercompany loans of foreign currency, our Japanese yen denominated debt, and the use of derivative financial instruments to hedge certain forecasted transactions as well as receivables and payables denominated in foreign currencies. We currently account for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We do not utilize derivatives for trading or speculative purposes. Hedge effectiveness is documented, assessed and monitored.

Seasonality

In addition to general economic factors, we are impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, most Asian markets celebrate their respective local New Year in the first quarter, which generally has a negative impact on that quarter. We believe that direct selling in Japan, the United States and Europe is also generally negatively impacted during the month of August, which is in our third quarter, when many individuals, including our distributors, traditionally take vacations.

Distributor Information

The following table provides information concerning the number of active and executive distributors as of the dates indicated. Active distributors are those distributors and preferred customers who were resident in the countries in which we operated and purchased products for resale or personal consumption during the three months ended as of the date indicated. An executive distributor is an active distributor who has achieved required monthly personal and group sales volumes.

	As of June 30, 2003		As of June 30, 2002	
	Active	Executive	Active	Executive
Region:				
North Asia	312,000	16,276	324,000	18,451
North America	70,000	2,726	73,000	2,350
Greater China*	104,000	3,861	73,000	2,833
South Asia/Pacific	62,000	2,198	72,000	2,589
Other Markets	31,000	1,011	28,000	970
Totals	579,000	26,072	570,000	27,193

* Following the opening of 100 retail stores in China in 2003, active distributors includes 36,000 preferred customers and executive distributors includes 1,212 employed, full-time sales representatives in China.

During the first six months of 2003, our executive distributor count was negatively impacted by a shift in focus of many of our executives away from their home markets and towards the new opportunity in China, the weak economic conditions in the North Asia region and a decline in our business in Singapore and Malaysia. While this change in focus negatively impacted our overall executive numbers for the first six months of 2003, we added 1,212 new employed sales representatives in China, which are reflected in our overall executive count.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized primarily outside of the United States, except for inventory purchases which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our subsidiary's primary markets is considered the functional currency. All revenue and expenses are translated at weighted average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition.

We seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts, through intercompany loans of foreign currency and through our Japanese yen denominated debt. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results.

Our foreign currency derivatives are comprised of over-the-counter forward contracts with major international financial institutions. As of June 30, 2003, we had \$91.0 million of these contracts with expiration dates through June 2004. All of these contracts were denominated in Japanese yen. For the three- and six-month periods ended June 30, 2003, we recorded losses of \$1.5 million and \$2.8 million in operating income related to the fair market valuation on our outstanding forward contracts. Based on our foreign exchange contracts at June 30, 2003, the impact of a 10% appreciation or 10% depreciation of the U.S. dollar against the Japanese yen would not represent a material potential loss in fair value, earnings or cash flows against these contracts. This potential loss does not consider the underlying foreign currency transaction or translation exposures to which we are subject.

Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act") which reflect our current expectations and beliefs regarding our future results of operations, performance and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may not materialize. These forward-looking statements include, but are not limited to, statements concerning:

- our belief that we have begun to see positive results during the second quarter from our initiatives;

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- our belief that we have made good progress in building a solid foundation for strong growth in China;
- our intention to contest any conclusion by the FDA that the Pharmanex BioPhotonic Scanner must be pre-cleared as a medical device, and our belief that, if necessary, the scanner can be cleared as a medical device within six to twelve months;
- our belief that our strategic initiatives to improve profitability will positively impact gross margins and operating margins but negatively impact revenue in future quarters;
- our belief that existing cash and cash flow from operations will be adequate to fund cash needs;
- our anticipation that we will sell our professional employer organization and incur a one-time charge of \$5 million to \$6 million from such sale and other expenses associated with an early retirement program and other employee separation charges;
- the expectation that we will spend \$15 million to \$20 million for capital expenditures during the remainder of 2003; and
- the anticipation that our board of directors will continue to declare cash dividends and that our cash will be sufficient to pay future dividends.

In addition, when used in this report, the words or phrases, "will likely result," "expect," "anticipate," "will continue," "intend," "plan," "believe," and similar expressions are intended to help identify forward-looking statements.

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results and outcomes to differ materially from those discussed or anticipated. Reference is made to the risks and uncertainties described in our Annual Report on Form 10-K which contains a more detailed discussion of the risks and uncertainties related to our business. We also wish to advise readers not to place any undue reliance on the forward-looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances or any changes in our beliefs or expectations. Some of the risks and uncertainties that might cause actual results to differ from those anticipated include, but are not limited to, the following:

- (a) Because a substantial majority of our sales are generated from the Asian regions, particularly Japan, significant variations in operating results including revenue, gross margin and earnings from those expected could be caused by:
 - renewed or sustained weakness of Asian economies or consumer confidence;
 - weakening of foreign currencies, particularly the Japanese yen;
 - failure of planned initiatives to generate continued interest and enthusiasm among distributors in these markets or to attract new distributors; or

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- any problems with our expansion of operations in China.
- (b) Our expansion of operations in China is subject to risks and uncertainties. We have been subject to significant regulatory scrutiny and have experienced challenges including interruption of sales activities at certain stores and guidance from local regulators to keep the number of sales employees at reasonable levels in certain cities. We believe we could experience similar challenges in the future as we expand operations in China and work with regulators to help them understand our business model. Our operations in China may be modified or otherwise harmed by regulatory changes, subjective interpretations of laws or an inability to work effectively with national and local government agencies. In addition, actions by overseas distributors or local sales employees in violation of local laws could harm our efforts. Because of restrictions on direct selling activities, we have implemented a modified business model for this market using retail stores and an employed sales force. We have not previously operated a large number of retail outlets and we cannot assure that we will be able to do so effectively.
- (c) The Pharmanex BioPhotonic Scanner is still in the final development stages. As with any new technology, we have experienced delays and technical issues in developing a final production model. In addition, the FDA has questioned its status as a non-medical device. In addition, we are facing similar uncertainties and regulatory issues in other markets, including Japan, with respect to the status of the scanner as a non-medical device, which would delay or impact our plans for the scanner in these markets. If the full launch or use of this tool is delayed or otherwise inhibited by production or development issues, or if the FDA or other domestic or foreign government agency takes formal action to prevent us from distributing the scanner as a non-medical device, this could delay our distribution of the scanner and harm our business.
- (d) The network marketing and nutritional supplement industries are subject to various laws and regulations throughout our markets, many of which

involve a high level of subjectivity and are inherently fact based and subject to interpretation. Recent negative publicity concerning stimulant-based supplements have spurred efforts by some persons to change existing regulations. If our existing business practices or products, or any new initiatives or products, are challenged or found to contravene any of these laws by any governmental agency or other third party, or if there are any changes in regulations applicable to our business, our revenue and profitability may be harmed.

- (e) Many countries have banned the importation of products that contain bovine materials sourced from locations where Bovine Spongiform Encephalopathy (BSE), commonly referred to as "mad cow disease", has been identified. We currently source all of our bovine materials, used primarily in the gel capsules of our nutritional supplements, from BSE-free countries. However, if BSE spreads to additional countries where we currently source our bovine materials, this could negatively impact our ability to import products into our markets until we change sources or ingredients.
- (f) Our ability to retain key and executive level distributors or to sponsor new executive distributors is critical to our success. Because our products are distributed exclusively through our distributors, our operating results could be adversely affected if our existing and new business opportunities and products do not generate sufficient excitement and

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economic incentive to retain our existing distributors or to sponsor new distributors on a sustained basis.

- (g) The network marketing and nutritional supplement industries receive negative publicity from time to time. There is a risk that we could continue to receive negative publicity in the future related to our marketing practices or new initiatives or products. Any such publicity could negatively impact our ability to successfully sponsor new distributors and grow revenue.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the section entitled "Currency Risk and Exchange Rate Information" in "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I and also in Note 5 to the Financial Statements contained in Item 1 of Part I.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in the reports we file or submit under the Exchange Act.

Changes in internal control over financial reporting.

During the most recent fiscal quarter covered by this report, there has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information supplements and amends our discussions set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

In January 2000, a derivative lawsuit captioned *Karen Kindt, on behalf of Nu Skin Enterprises, Inc. v. Blake Roney, et. al.* was filed in the Court of Chancery in the State of Delaware in and for New Castle County against certain members of our board of directors alleging a breach of fiduciary duty and self-dealing in connection with our acquisition of Nu Skin

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International in 1998 and the termination of the license agreements with Nu Skin USA, Inc. and acquisition of Big Planet in 1999. Our board of directors appointed a special litigation committee to investigate the validity of the complaint. After an exhaustive and thorough review of the allegations, the special

committee made a report to our board of directors. Based on the findings by the special committee, we moved to dismiss the complaint. On May 30, 2003, the Court of Chancery granted our motion to dismiss and the case was dismissed.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on May 20, 2003. At the Annual Meeting Blake M. Roney, M. Truman Hunt, Sandra N. Tillotson, Brooke B. Roney, Takashi Bamba, E.J. "Jake" Garn, Paula F. Hawkins, Daniel W. Campbell, Andrew D. Lipman, and Jose Ferreira, Jr. were elected to serve as directors of the Company until the next annual meeting of stockholders or until their successors are duly elected. Each director was elected by a plurality of votes in accordance with the Delaware General Corporation Law. There was no solicitation in opposition to management's director nominees. The following chart reflects the vote tabulation with respect to each director nominee. The figures reported reflect votes cast by holders of the Company's Class A common stock and Class B common stock. Each share of Class A common stock entitles its holder to one vote, and each share of Class B common stock entitles its holder to ten votes.

<u>Name of Director Nominee</u>	<u>Votes For</u>	<u>Votes Withheld</u>
Blake M. Roney	448,200,438	8,896,852
M. Truman Hunt	448,200,438	8,896,852
Sandra N. Tillotson	448,200,438	8,896,852
Brooke B. Roney	448,200,438	8,896,852
Takashi Bamba	446,362,264	10,735,026
E.J. "Jake" Garn	448,412,313	8,684,977
Paula F. Hawkins	448,209,538	8,887,752
Daniel W. Campbell	448,209,538	8,887,752
Andrew D. Lipman	448,209,538	8,887,752
Jose Ferreira, Jr.	448,159,738	8,937,552

The stockholders ratified Proposal 2, Approval of an Amendment to the Second Amended and Restated 1996 Stock Incentive Plan, with 443,407,837 votes being cast for, 5,752,697 votes being cast against, and 7,936,756 abstentions and broker non-votes.

The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent public accountants, with 448,543,387 votes being cast for, 8,544,860 votes being cast against, and 9,043 abstentions and broker non-votes.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<u>(a)</u>	<u>Exhibits Regulation S-K Number</u>	<u>Description</u>
	10.1	Consulting Agreement between Nu Skin Enterprises, Inc. and Woodclyffe Group, LLC effective April 1, 2003.
	10.2	Early Retirement Plan and Related Forms.
	31.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	31.2	Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
	32.1	Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Section

1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by Ritch N. Wood, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Current reports on Form 8-K.

On April 22, 2003, the Company filed a current report on Form 8-K to furnish the Company's press release reporting results for the three months ended March 31, 2003. In accordance with SEC Release No. 33-8216, the information intended to be furnished under "Item 12. Results of Operations and Financial Condition," was instead furnished under "Item 9. Regulation FD Disclosure."

On April 25, 2003, the Company filed a current report on Form 8-K, under Items 7 and 9 to furnish an electronic copy of the Company's 2002 Annual Report to Shareholders.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 12, 2003

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood
Ritch N. Wood
Its: Chief Financial Officer
(Principal Financial and
Accounting Officer)

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EXHIBIT INDEX

- 10.1 Consulting Agreement between Nu Skin Enterprises, Inc. and Woodclyffe Group, LLC effective April 1, 2003.
- 10.2 Early Retirement Plan and Related Forms.
- 31.1 Certification by M. Truman Hunt, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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Nu Skin Enterprises, Inc.

Revised April 23, 2003

Our Mission

*Identifying the right solutions for our clients
and working with them, side by side, to help them achieve their goals.*

Woodclyffe

Improving performance. Creating value.

Our Understanding of Your Objectives

Observations

Nu Skin Enterprises, Inc. is committed to growing geographically with an immediate focus on China and the emerging markets of Latin America and Eastern Europe.

Objectives

In China, the company needs to establish a “retail” business model that is viewed as such by the government. This market is and will be an excellent market for direct sellers. However, government restrictions and attitudes need to be respected. Foreign Nu Skin distributors/directors need to be managed.

In Latin America and Eastern Europe, the company is reevaluating its strategy to find the best approach to achieve success in these emerging markets. The approach needs to be locally competitive while also providing an attractive role and earnings opportunity for the company’s international distributors.

Our Deliverables and Methodology

Deliverables

Bill Pryor will work with Corey Lindley and his team in China. The role will be to leverage his experience and to provide advice and support to the development of Nu Skin’s business. Specifically he will work toward helping Nu Skin develop a legal and competitive retail model, a model that can quickly be transformed and used as a spring board for direct selling in a post ban market, and work with Nu Skin to demonstrate to the government that Nu Skin follows good business practices and is a “model” for how the government wants direct sellers to behave in their market.

Joe Ferreira will work with the Nu Skin Latin America team to provide advice and support to develop a strategy and business model for Latin America.

Woodclyffe shall perform the services in a professional manner and in conformity with the standards generally applicable to professionals in Woodclyffe’s area of practice.

Time Table

April 1

Effective start date of consulting engagement.

April

Bill Pryor will arrive in Shanghai, participate in the company's business review meetings on the 8th and 9th, in PR meetings in Shanghai and Beijing on the 10th and 11th, stay the weekend, then work on the 14th and 15th, and return to the U.S. on the 16th. Joe Ferreira will be contacted to schedule his involvement with Latin America.

May to September

Bill and Joe will work with their respective contact person within Nu Skin to schedule meetings, calls and review information.

October and beyond

This Agreement will end September 30, 2003. Our relationship can be expanded and/or extended, or ended, at anytime with 30 days notice.

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Project Team Structure

Woodclyffe

Woodclyffe is a unique international consulting and interim management firm. The firm's associates are senior executives with broad and deep capabilities attained over the past 30 years through hands-on experiences growing some of the worlds most recognized brands. Areas of focus include: performance improvement; foreign market entry and development; marketing, brand building and advertising; growth strategies; and management advisory work.

Project Team

This project will involve Bill Pryor, EVP, and Joe Ferreira, President and CEO of the Woodclyffe Group. Bill will support the company's effort with regard to China and Joe will support the company's effort in Latin America.

Nu Skin has contracted for specifically the services of J. Ferreira and C. W. Pryor and no other persons shall be engaged or delegated to perform any services without the prior written consent of Nu Skin.

Their biographies are below:

Joe Ferreira

Joe Ferreira is President and CEO of the Woodclyffe Group, LLC. He has twenty-five years of business experience, most of which was accumulated at Avon Products, Inc.

He began his career in retail and after 2 years moved to Avon. During the first part of his career at Avon he worked mainly in Finance rising to become the head of finance and operations for the Avon Division, reporting to the company president. Then in 1990 he was given the opportunity to run Avon's business in Latin America. Over the next 10 years he moved around the world improving the performance of existing companies, opening new markets and businesses, and growing Avon's international business to \$3.5 billion. In 1999 he was promoted to the position of Co-COO and a director of the company.

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Project Team Structure (continued)

As Co-Chief Operating Officer and a member of the Board of Directors, Mr. Ferreira had full responsibility for all international business (\$3.5 billion in sales) encompassing over 40 subsidiaries and close to 100 distributorships in Latin America, Europe, Asia and Africa (2/3rds of the corporation). Mr. Ferreira also was responsible for global strategic planning, market research, new business development and new markets.

During his tenure as Co-COO, every international region increased local currency sales at double-digit rates, increased gross margin and increased operating margin; a new wellness business was successfully developed for 19 markets

(including the U.S.) and delivered sales of \$150 million in the first year, well over expectations; and Avon's stock price increased 45% in 2000.

C. William Pryor

Bill Pryor is an Executive Vice President of the Woodclyffe Group. Bill has over 40 years of international direct selling experience including 20 years of expatriate assignments in Australia, Japan and China.

His employment experience has been predominately with Avon Products, but also includes Nutri-Metics International and Cutco International.

He is an Accounting graduate of New York University with experience in Finance, Marketing, Sales, New Markets Entry and General Management. The General Management experience includes line responsibility at the area and country levels.

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Project Team Structure (continued)

As President and CEO of Avon-China, he guided that subsidiary to profitability. Avon-China was the first Avon subsidiary to introduce a multi-level sales plan. A \$40MM manufacturing facility was constructed and most products were converted to in-country manufacturing and materials procurement. An ethical reputation for Avon was established through appropriate business practices and government negotiations and relationships. Avon-China became the first direct selling company to receive government approval of an alternative business plan for market re-entry after the ban on direct selling.

During his assignment as President and CEO of Avon-Japan, that subsidiary became the highest profit contributor of all Avon subsidiaries outside the U.S.. Avon-Japan's product line was completely upgraded to meet the standards of the Japanese market. Innovative concepts were introduced such as Sales Representatives segmentation with targeted marketing plans and direct mail as a supplement to direct selling communications.

As Executive Vice President of Cutco International, he established international expansion strategies, methods and market entry activities.

As Senior Vice President and COO of Nutri-Metics International, he managed the international subsidiaries and accomplished market entry into several countries.

His initial work experience was as an Accountant with the International Division of Ford Motor Company.

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Fee Summary

Fee Summary

Monthly retainer: \$22,500. This retainer will cover up to 6 days for Bill Pryor and up to 3 days for Joe Ferreira.

If more than the above number of days is required in any given month, the charges will be as follows: \$2,500 per day for Bill Pryor and \$3,700 per day for Joe Ferreira.

The use of our China government relation's consultant may be deemed useful and necessary by Nu Skin. If so we will discuss and agree on the additional costs at that time.

Travel time will be split. Therefore, Nu Skin will only be charged for approximately fifty percent of travel time.

Nu Skin agrees to reimburse Woodclyffe for reasonable and necessary out-of-pocket expenses, including travel expenses, incurred by Woodclyffe in providing services under this Agreement, consistent with the guidelines customarily used by Nu Skin for reimbursement of its employees for business expenses, including proper documentation of expenses. All travel must be pre-approved by Nu Skin.

Woodclyffe will invoice Nu Skin on the 1st of each month for the retainer, out of pocket costs and any additional days. Payment is due by the 15th of each month.

Terms and Conditions

Client Responsibilities

Nu Skin shall provide complete, timely information and data to meet the requirements of the engagement. Nu Skin shall furnish the required information and data as expeditiously as is necessary for the orderly progress of the work. Woodclyffe will rely on its accuracy and completeness. Nu Skin shall designate people to work with us on specific aspects of the project.

Confidentiality

Woodclyffe will comply with the Nu Skin's confidentiality agreement which was previously signed and which is attached as Exhibit A.

Indemnification

Nu Skin Enterprises, Inc. shall indemnify, defend, and hold the Woodclyffe Group, LLC, its employees, officers, and agents, ("Indemnities") harmless from all expenses, damages, costs, penalties, liabilities, and amounts incurred in judgments or settlements, including attorneys' fees (collectively "Damages") suffered by Indemnities, or any of them, as a result of threatened, pending, or completed investigations, enforcement actions, claims, demands or any and all lawsuits (collectively, the "Actions") against Indemnities or Nu Skin Enterprises, Inc. as a result of services performed, provided that the Indemnities acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of Nu Skin and in conformity with standards generally applicable to professionals in Indemnities' area of practice, and provided further that the Indemnities had no reasonable cause to believe their conduct was unlawful. The forgoing indemnification provisions shall not apply to any Action (i) by or in the right of Nu Skin or any of its affiliates against any of the Indemnities, (ii) arising out of a breach of any covenant, warranty or other provision of this Agreement by any of the Indemnities, (iii) arising out of the negligent or reckless acts of any of the Indemnities, or (iv) arising out of any relationship that any of the Indemnities has with a third party (e.g., a claim that the services provided here under violate or conflict with another consulting arrangement or that any of the Indemnities has violated a contractual or legal duty to a third party).

Terms and Conditions (continued)

Indemnification (cont.)

Woodclyffe shall indemnify, defend and hold Nu Skin and its affiliates, and each of their employees, directors, officers and agents (the "Nu Skin Indemnities") harmless from all Damages suffered by the Nu Skin Indemnities, or any of them, as a result of any breach of Woodclyffe's obligations under this Agreement or their negligent or reckless conduct.

Termination

If either party materially breaches a material provision of this Agreement, the other party may terminate this Agreement upon fifteen (15) days' notice unless the breach is cured within the notice period.

Either party may also terminate this Agreement at any time, with or without cause, upon thirty (30) days' notice.

Woodclyffe will be entitled to full payment for services performed and expenses incurred prior to the effective date of termination.

Work Product

All information and data developed, received or furnished by Woodclyffe during the term of this Agreement in the performance of the services shall be the property of Nu Skin. All such information shall be delivered to Nu Skin, and Nu Skin shall have the unrestricted right to use and disclose such information in any manner and for any purpose without payment or any further compensation. Such information shall be considered confidential information. Woodclyffe agrees that it will not disclose to Nu Skin any information that is the confidential or proprietary information of any other party and that any and all information disclosed to Nu Skin may be utilized by Nu Skin without restriction. Woodclyffe agrees to indemnify, defend and hold the Nu Skin Indemnities harmless from any Damages arising from any act or alleged act of infringement of any intellectual property rights or proprietary information of another party related to the services of Woodclyffe hereunder.

Terms and Conditions (continued)

Independent Contractor

In the performance of this Agreement, Woodclyffe is an independent contractor and neither Woodclyffe nor any of its employees, agents or subcontractors shall be considered an employee or agent of Nu Skin. It is not the purpose or intention of this Agreement to create, and the same shall not be construed as creating a joint venture or partnership of any nature. Woodclyffe shall be responsible for reporting and paying all local, state and federal employment and related taxes and further agrees to indemnify the Nu Skin Indemnities from and against any and all Damages related to the withholding and payment of local, state and federal taxes related to Woodclyffe's performance of services. In the event the taxing authorities in any jurisdiction require Nu Skin to withhold any taxes or other payments related to the services performed hereunder, Nu Skin may withhold such taxes, and the payments required to be paid by Nu Skin to Woodclyffe under this Agreement shall be made net of such withholding amounts.

Conflicts of Interest

Woodclyffe hereby represents and warrants that neither it, nor any of its employees, agents or subcontractors, is prohibited, encumbered or restricted (whether by contractual, legal or fiduciary obligations) from performing the services contracted for pursuant to this Agreement by, and that its engagement and the performance of the services hereunder will not conflict with, any prior or existing contract, agreement or arrangement with any other party. Woodclyffe further represents that its engagement will not result in any conflict of interest on its part with any other previous contract, agreement or arrangement. Woodclyffe hereby agrees that it will not enter into any contract, agreement or arrangement while engaged by Nu Skin that would result in a conflict of interest with respect to its engagement by Nu Skin or otherwise conflict with the services hereunder. Woodclyffe further agrees to indemnify and hold the Nu Skin Indemnities harmless from and against any and all Damages in the event another party alleges the existence of any such

Terms and Conditions (continued)

Conflicts of Interest(cont.)

contract, agreement or arrangement restricting Woodclyffe's performance under this Agreement. In the event any employee or agent of Woodclyffe accepts an appointment to serve as a member of the Board of Directors of Nu Skin, Woodclyffe agrees that it will clear with the Board of Directors of Nu Skin any potential conflicts of interest from proposed consulting arrangements, with Nu Skin's presumption that the person serving on the Board of Directors would be precluded from performing, directly or indirectly, any consulting assignments with Amway, Herbalife, Usana, Morinda, Nature's Sunshine, Excel, Prepaid Legal, Melaleucca and Unicity.

Insurance

Woodclyffe hereby agrees to apply for and maintain general comprehensive liability insurance in such amounts as is commercially reasonable. Such insurance shall be maintained with reputable insurance carriers with coverage broad enough to cover Woodclyffe on the premises of Nu Skin and its affiliates. Woodclyffe shall provide a certificate of insurance to Nu Skin evidencing such insurance once it is obtained.

Non Solicitation

Nu Skin agrees, for the period through January 31, 2004, not to hire any managerial/professional level or more senior level associate from Avon (or of an Avon affiliate) or solicit any managerial/professional level or more senior level associate of Avon (or of an Avon affiliate) to leave his or her employment with Avon (or of an Avon affiliate).

Agreed and Accepted

If the arrangements and terms outlined in this proposal are satisfactory, please sign both copies of this proposal and return one to us.

This proposal correctly sets forth our understanding and acceptance of the Nu Skin Enterprises, Inc. consulting engagement.

Approved by:

Nu Skin Enterprises, Inc.

/s/ M. Truman Hunt
Mr. M. Truman Hunt
President and CEO

Woodclyffe Group, LLC

/s/ Joe Ferreira
Mr. Joe Ferreira
President and CEO

NU SKIN INTERNATIONAL, INC.

**VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN
AND
SUMMARY PLAN DESCRIPTION**

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NU SKIN INTERNATIONAL, INC.

**VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN
AND
SUMMARY PLAN DESCRIPTION**

This **Voluntary Early Retirement Incentive Plan** (the "Plan") was adopted by Nu Skin International, Inc. on June 4, 2003. The Company reserves the right to amend or terminate this Plan at any time and from time to time. Unless sooner amended or terminated, this Plan shall apply only to Eligible Employees who voluntarily retire from service with the Company, which retirement occurs between June 4, 2003 and July 25, 2003, and who meet the conditions and requirements set forth below.

1 **Definitions.** For purposes of this Plan, the following terms shall have the meanings set forth below:

- A. "Benefits" shall mean those benefits provided under this Plan as set forth in Section 3 below.
- B. "Company" shall mean Nu Skin International, Inc. and its USA affiliates.
- C. "Election Form" shall mean the election form the Company provides the Employee to elect a voluntary retirement through the Plan.
- D. "Eligible Employee" or "Employee" shall mean an employee who has satisfied all of the conditions and requirements set forth in Section 2 below.
- E. "Final Monthly Salary" shall mean an Employee's taxable wages for the last full calendar month of employment with the Company prior to retirement, as determined by the Company.
- F. "Release and Separation Agreement" shall mean the release and separation agreement the Company provides an Employee as part of this Plan.

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G. "Years of Service" shall mean consecutive twelve (12) calendar month periods during which the Employee has been continuously employed by the Company full-time (at least 40 hours per week), as determined by the Company. A full-time Employee shall be given credit for a full Year of Service for the last year of service with the Company, regardless of the actual time employed with the Company during that last year. For example, an Eligible Employee who has consecutively worked five (5) years and three (3) months for the Company will be given credit for six (6) Years of Service. In addition, an Eligible Employee who has worked less than one (1) year with the Company will be given credit for one (1) Year of Service. For example, an Eligible Employee who has worked three (3) months for the Company will be given credit for one (1) Year of Service.

2. **Eligibility for Benefits.** In order for an Employee to qualify for Benefits, all of the following conditions must have been met:

- A. **Eligible Employee.** The Employee must have reached the age of fifty-nine and one-half (59 1/2) years and be employed with the Company full-time (at least forty (40) hours per week) as of the date he or she receives the Election Form from the Company.
- B. **Timely Return Election Form.** The Employee must affirmatively elect to participate in the Plan and retire from service with the Company by returning to the Company's human resource department the signed and completed Election Form by no later than the close of business on July 25, 2003.
- C. **Timely Return Release and Separation Agreement.** The Employee must sign and return to the Company's human resource department the completed Release and Separation Agreement by no later than close of business on July 25, 2003. The Employee must submit the signed Release and Separation Agreement to the Company at the same time he or she signs and submits the Election Form to the Company. The Employee's resignation from the Company will be effective the date the Employee signs the Release and Separation Agreement and Election Form. An Employee shall have a minimum of forty-five (45) days after receipt of the Release and Separation Agreement to consider the execution of the same, but may sign and return the Election Form and the Release and Waiver Agreement to the Company at any time after receipt. The Release and Separation Agreement is effective and enforceable seven (7) days after the date the Employee executes it. The Employee may revoke the Release and Separation Agreement by providing written notice of such revocation to the Company at any time during the seven (7)-day period following the date he or she executes the Release and Separation Agreement. If the Employee revokes the Release and Separation Agreement, the Employee will have no right to Benefits specified in this Plan, and the Employee's resignation from the Company will be rescinded effective as of the original date of revocation, with no break in service having occurred.

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3 **Benefits.** Benefits under this Plan will be paid only if the Company decides in its discretion that the Employee is entitled to them.

- A. **Basic Benefit.** Under this Plan, an Employee shall receive Benefits equal to one (1) times Final Monthly Salary for every Year of Service, subject to the following minimum and maximum. An Eligible Employee will receive a minimum of six (6) times Final Monthly Salary under this basic Benefits option, regardless of his or her Years of Service. For example, an Eligible Employee who has only one (1) Year of Service will still receive six (6) months of Final Monthly Salary under this basic Benefits option. Notwithstanding the above, an Eligible Employee will receive a maximum of twenty-four (24) times Final Monthly Salary under this basic Benefits option, regardless of his or her Years of Service.
- B. **Bonus Benefit.** Under this plan, an Eligible Employee shall receive any bonus earned but not yet paid under the Company Bonus Plan at such time as any bonus is paid to Company employees. This bonus payment will be paid to each Eligible Employee even though not a Company employee at the time of actual payment.

4. **Payment of Benefits.** An Employee must choose on the Election Form a Benefits payment option. This election will be irrevocable and must be made before the Employee signs the Release and Separation Agreement. The Employee must choose one of the following three payment options:

A. **Lump-sum Payment.** The Employee may elect to receive a single, lump-sum payment of his or her Benefits as soon as administratively feasible after the Employee's retirement, but no sooner than seven (7) days after the Employee returns to the Company the Election Form, Release and Separation Agreement, and Non-Compete Agreement (for enhanced Benefits).

B. **Lump-Sum Payment at Future Date.** The Employee may elect to receive a single, lump-sum payment of his or her Benefits at a date the Employee designates on the Election Form, but no later than twelve (12) months after his or her retirement date from the Company. The Company will not pay interest on this lump-sum amount.

C. **Installment Payments.** The Employee may elect to receive his or her Benefits in equal, monthly installments over a period of months the Employee chooses. This period may not extend beyond twelve (12) months after the Employee's retirement date from the Company. The Company will not pay interest on these installment payments.

All payments made under this Plan are subject to applicable income, employment and other taxes as may be required under any law or regulation.

5. **Committee.** The Company may form a committee (the "Committee") that shall have the discretionary authority to interpret and modify this Plan. The Committee shall have authority and discretion to adopt rules and regulations applicable to this Plan, including rules that define and interpret any provision of this Plan.

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6. **Amendment or Termination.** This Plan may be adopted, modified or terminated, in whole or in part, at any time, and from time to time, by the Company acting through a resolution of its Board of Directors, provided that no such amendment, modification or termination of this Plan shall affect the rights of an Employee who has executed and delivered to the Company a Release and Separation Agreement pursuant to the provisions of this Plan prior to the date of such amendment to this Plan.

7. **No Oral Representations; Consultation with Attorney.** The Company does not guarantee any particular result under this Plan. Except for providing copies of this Plan to an Employee, neither the Company, the Committee nor any employee or agent of same shall be authorized to advise an Employee on any aspects of this Plan, including the legal and other effects of the Release and Separation Agreement to be signed by the Employee or the tax consequence of payments or benefits under this Plan. No representation of the tax or other legal effects of the Release and Separation Agreement against the Company or consideration for the Release and Separation Agreement against the Company or the scope of the Release and Separation Agreement against the Company have been made by the Company. The Employee agrees as a condition to receiving Benefits under this Plan that he or she will consult with his or her own advisor or legal counsel with respect to such matters.

8. **Severability.** In the event any section, subsection, paragraph, subparagraph or specific provision is found to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

9. **Construction.** Where applicable, the masculine includes the feminine and vice versa. Where applicable, the singular includes the plural and vice versa. Where a word or phrase is defined in Section 1 of the Plan and appears in capitalized form in another Section of the Plan, such word or phrase shall have the meaning set forth in Section 1 unless the context clearly requires otherwise. A word or phrase in non-capitalized form shall retain its plain meaning taken in the context in which it appears, regardless of whether said word or phrase is defined in Section 1. Nothing herein shall be construed to permit a duplication of benefits.

10. **Headings.** The headings are for reference only. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

11. **Governing Law.** This Plan is created in the State of Utah, and shall be construed, administered and enforced according to the laws of the State of Utah, except to the extent preempted by valid provisions of applicable federal law.

12. **ERISA Rights.** As a participant in this Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to those rights outlined below.

A. **Examine Documents.** You are entitled to examine, without charge, at the Company's office and at other specified locations, such as worksites, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor.

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B. **Obtaining Copies.** You are entitled to obtain, upon written request to the Company, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series), if any, and an updated summary plan description. The Company may make a reasonable charge for the copies.

C. **Financial Statements.** You are entitled to obtain a summary of the Plan's annual financial report, if any. The Company is required by law to furnish each participant with a copy of this summary annual report.

D. Fiduciary Duties. In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of this Plan. The people who operate this Plan — called “fiduciaries” of the Plan — have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining benefits under the Plan or exercising your rights under ERISA.

E. Claims Rights. If your claim for a benefit under this Plan is denied in whole or in part you must receive a written explanation of the reason for the denial. You have the right to have the Committee review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Company to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Company.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the Plan’s fiduciaries misuse the Plan’s money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

F. U.S. Department of Labor. If you have any questions about this Plan, you should contact the Company. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administrator, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

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G. Contact Information. Nu Skin International, Inc. administers the Plan. You can contact the administrator at:

Nu Skin International, Inc.
75 W. Center Street
Provo, Utan 84601
801-345-8607
EIN: 87-0416910

H. Type of Plan. This plan is a welfare benefit plan under ERISA designed to provide monetary incentives for voluntary early retirement to certain Employees.

I. Source of Plan Funding. The Company pays the entire cost of this Plan from its general assets.

J. Service of Process. Service of process may be made on the Company at:

Mr. Matthew Dorny
Nu Skin International, Inc.
75 W. Center Street
Provo, Utah 84601

K. Plan Year. This Plan’s year-end is December 31st.

13. Effective Date. This Plan is effective as of the 4th day of June, 2003.

DATED this 4th day of June, 2003.

/s/ M. Truman Hunt
President
Nu Skin International, Inc.

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**ELECTION FORM
FOR THE
NU SKIN INTERNATIONAL, INC.
VOLUNTARY EARLY RETIREMENT INCENTIVE PLAN**

I. ELECTION TO PARTICIPATE

I hereby elect to participate in the Voluntary Early Retirement Incentive Plan (the "Plan") of Nu Skin International, Inc. (the "Company") and to be subject to the terms and conditions of the Plan. I voluntarily resign my employment and retire from the Company effective as of the date this Election Form and the Release and Separation Agreement are signed and returned to the Company's human resource department.

II. DISTRIBUTION ELECTION

I irrevocably elect to receive my Plan Benefits under one of the following three payment options (check and complete, as appropriate, one of the following):

- (a) _____ The entire amount in a lump sum.
- (b) _____ The entire amount in a lump sum on _____ (fill in date, which can be no later than twelve (12) months after your retirement date from the Company).
- (c) _____ Approximately equal monthly installments for a period of _____ months (not to exceed 12 months).

I understand that my distribution election will become irrevocable upon signing this Election Form. I also understand that the Company will not pay interest on Plan benefits under any of the above options, and that all payments are subject to applicable income, employment and other taxes as may be required under any law or regulation.

III. DEATH AFTER ELECTION

In the event of my death after my distribution election, but prior to the distribution of my Benefits under the Plan, the balance shall be paid to my designated beneficiary or beneficiaries, as follows (check one of the following):

- (a) _____ In a single lump sum payment, or
- (b) _____ By continuing the election in Section II above.

IV. BENEFICIARY DESIGNATION FORM

Your Name:
First: _____ Middle: _____ Last: _____

Your
Address: _____

Your Social Security No.: _____

Your Date of Birth: _____

Your Date of Hire with the Company: _____

Pursuant to the provisions of the Plan, I hereby designate the following as my beneficiary or beneficiaries to whom any interest I may then have in the Plan shall be paid in the event of my death.

Primary Beneficiary:

Full
Name: _____

Address: _____

Relationship: _____

Secondary Beneficiary (If Any):

Full
Name: _____

Address: _____

Relationship: _____

I certify that the above information is correct. The Company and any others concerned with the administration of the Plan are entitled to rely on this beneficiary designation and each shall be fully protected in taking or omitting any action under any provisions of the Plan in reliance on the above information.

I reserve such rights as may be available to me under the Plan to change this beneficiary designation at any time by signing a new beneficiary designation form and filing it with the Company.

I acknowledge that nothing in the Plan shall be deemed to create any fiduciary relationship between the Company and myself or my Beneficiaries, and I hereby waive any claim to the contrary. I also acknowledge that neither the Company nor any of its employees or agents has any fiduciary duty or responsibility whatsoever for any elections I make in other personal areas or programs as a result of my decision regarding this Plan and they are fully released to such extent.

I also acknowledge that I have reviewed the Plan, that I understand the Plan's terms and provisions, and that I do not rely upon any representations made about the Plan. I also acknowledge that I have been given the opportunity to consult with professionals of my choice about the effects of the Plan, including, but not limited to, any tax effects. I also acknowledge that the Company may amend or terminate the Plan at any time.

All other terms of this Election Form shall be governed by the Plan (and any amendments) which is in effect at the time of this election. All other terms and conditions of that Plan are incorporated herein by reference.

In witness whereof, I have executed this Election Form as of the date below.

Employee:

Signature

Type or Print Name

Date

RELEASE AND SEPARATION AGREEMENT

This Release and Separation Agreement (the "**Agreement**") is entered into by _____ (the "**Employee**") and NuSkin International, Inc. and its affiliated companies and subsidiaries (the "**Company**").

RECITALS AND ACKNOWLEDGMENTS

1. The Company has adopted a Voluntary Early Retirement Incentive Plan (the "**Incentive Plan**").
2. The parties acknowledge and agree that Employee is eligible to receive the monetary incentive for voluntary early retirement according to the terms of the Incentive Plan.
3. The Employee desires to obtain the monetary incentive and to voluntarily retire from the Company under the terms of the Incentive Plan and is willing to sign this Agreement.
4. Employee resigns his/her employment with the Company and elects to retire effective the date he/she signs this Release and Separation Agreement.
5. Employee acknowledges that participation in the Incentive Plan is strictly voluntary, that he/she is under no obligation to participate, and that he/she has freely chosen to participate therein and retire without any coercion.

NOW, THEREFORE, in consideration of the foregoing Recitals and Acknowledgments, which are incorporated herein by this reference, Employee and the Company agree to the following terms and releases:

1. **45 Days To Consider Agreement.** Employee acknowledges and agrees that he/she has been given the opportunity to take at least forty-five (45) days (the "**45-Day Period**") to consider this Agreement before signing it.
2. **Information Provided To Employee.** Employee acknowledges and agrees that he/she has been given the following information at the commencement of the 45 Day Period, which information is attached hereto as Exhibit "A":
 - a. the class, unit or group of individuals covered by the Incentive Plan;
 - b. the eligibility factors for participation in the Incentive Plan;
 - c. the time limits applicable to the Incentive Plan;

- d. the job titles and ages of all individuals eligible for the Incentive Plan;
- e. the ages of all individuals in the same job classification or organizational unit who are not eligible for the Incentive Plan.

Employee also acknowledges that he/she received a copy of the Incentive Plan along with this Release and Separation Agreement.

- 3. **Advice To Consult A Lawyer.** Employee acknowledges and agrees that he/she has been given the opportunity to consult with a lawyer or any other person or agency of his/her choice before signing this Agreement and that he/she understands the meaning and effect of each provision contained in this Agreement. The Company advises the Employee to consult with a lawyer before signing this Agreement.
- 4. **Voluntary Agreement.** Employee agrees that he/she has voluntarily and knowingly entered into this Agreement, and has voluntarily elected to participate in the plan and retire from the Company without coercion.
- 5. **Effective Date of Resignation.** Employee voluntarily resigns his/her employment with the Company effective the date he/she signs this Agreement.
- 6. **No Admission by The Company.** Employee and the Company agree that this Agreement is not an admission of any fault, liability or wrongdoing by the Company, and that the Company expressly denies any fault, liability or wrongdoing.
- 7. **No Other Representation or Promise.** Employee and the Company represent and warrant that neither they nor any officer, director, shareholder, agent, servant, successor, heir, personal representative, assign, or attorney of or for each other has made any statement or representation to the other regarding any fact relied upon in executing this Agreement, and neither the Employee nor the Company rely upon any such statement, representation or promise in signing this Agreement.
- 8. **Assumption of Risk if Facts are Different.** Employee fully understands and agrees that if any of the facts concerning the claims referred to in this Agreement should be found in the future to be different or other than the facts now believed to be true, he/she expressly accepts and assumes the risk of such possible factual differences and agrees that this Agreement will remain in effect notwithstanding any differences in the facts.
- 9. **Consideration.** Employee acknowledges that the following consideration is good, sufficient and valuable consideration for the promises, releases and waivers contained herein, and Employee agrees that he/she is not otherwise entitled to this consideration and that this consideration is accepted as the full and final settlement of any and all claims that he/she has or may have against the Company, including but not limited to any claims growing out of or related in any way to his/her employment with the Company or his/her resignation therefrom.
- 10. **Employee Responsible for Taxes.** Employee agrees that he/she is fully responsible for all his/her income, employment and other taxes and tax consequences to him/her resulting from the payment of the consideration pursuant to this Agreement, and that neither the Company nor its attorneys have made any representation to Employee regarding any tax

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consequences. The Company reserves the right to withhold income, employment or other taxes from any payment to Employee as may be required under any law or regulation. The Company advises Employee to consult a lawyer concerning this Agreement, including the tax consequences resulting from the receipt of the above consideration.

- a. The Company will pay Employee a total amount of _____, less required withholdings. This amount will be paid in a lump sum or in installments according to the Employee's election on the Election Form after the revocation period described in paragraph 12 below.
- b. The Company will pay any Employee earned bonus, if any, when such bonuses are paid to all employees of the Company.

RELEASE AND WAIVER

- 11. **Release of Any and All Claims Against The Company.** For the good and valuable consideration set forth above, the receipt and sufficiency of which is acknowledged, and in consideration of the foregoing Recitals and Acknowledgements, and with the intent of binding himself/herself and his/her successors, heirs and assigns, Employee hereby fully and forever releases and discharges the Company and its shareholders, officers, directors, agents, employees, predecessors, successors, assigns, affiliated companies, parent corporations, sister corporations and subsidiaries, from any and all claims, demands, actions, causes of action, judgments and liabilities of any kind or nature whatsoever in law, equity or otherwise, whether known or unknown, suspected or unsuspected, which have existed or may have existed or which do exist, including, but not limited to, all those which may be based in whole or in part on, or may arise from or are or may be related to Employee's employment with the Company or termination thereof, from the beginning of time to the date of the signing of this Agreement, including, but not limited to, the following:
 - a. Any claim by Employee that the Company discriminated against him/her on the basis of his/her age in violation of either state or federal law, including the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621, *et. seq.* **EMPLOYEE HEREBY WAIVES ALL RIGHTS AND CLAIMS UNDER ALL STATE AND FEDERAL ANTI-DISCRIMINATION LAWS, INCLUDING THE AFOREMENTIONED AGE DISCRIMINATION IN EMPLOYMENT ACT.**
 - b. Any claim by Employee that the Company discriminated against him/her on the basis of race, sex, religion, age, national origin or

disability in violation of any state or federal law, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, as amended, or any state anti-discrimination laws, as amended.

- c. Any claim against the Company for violation of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, et. seq., (“WARN”).
- d. Any claim that the Company negligently, intentionally, maliciously, or wantonly caused damage to Employee.
- e. Any claim that the Company inflicted emotional distress either intentionally or negligently on Employee.
- f. Any claim against the Company for breach of contract, whether oral or written, express or implied, or any other agreement or promise.

Employee does not waive any rights or claims under the Age Discrimination in Employment Act that may arise after the date this Agreement is executed.

Further, notwithstanding anything which may be to the contrary herein, any confidentiality, non-solicitation and/or non-compete agreements previously executed by Employee remain in full force and effect and continue to bind Employee according to the terms of any such agreement.

12. Seven-Day Revocation Period. This Agreement is effective and enforceable seven (7) days after the date it is executed by Employee. This Agreement may be revoked by Employee by providing written notice of such revocation to Claire Averett, Vice President of Human Resources for the Company, at any time during the seven-day period following the date he/she executes this Agreement. Employee understands that he/she has no right to the consideration specified in this Agreement if he/she revokes this Agreement.

13. Choice of Law. This Agreement shall be subject to and governed by the laws of the State of Utah.

14. Severability: Except as expressly provided to the contrary herein, each paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such provision of this Agreement is held to be invalid, such other portions of this Agreement as may remain otherwise intelligible, shall continue to be given full force and effect and bind the parties hereto.

15. Attorneys’ Fees. If any party to this Agreement brings an action to enforce its rights hereunder, the prevailing party shall be entitled to recover its costs and expenses, including court costs and attorneys’ fees, if any, incurred in connection with such suit.

16. Entire Agreement. Employee and the Company understand and agree that this Agreement shall constitute the entire agreement between the Company and Employee concerning the subject matter covered herein, and that both have carefully read the entire foregoing Agreement and know the contents thereof and sign the same of their own free will.

17. Facsimile Signature. Any facsimile signature on this Agreement shall be deemed to be an original signature for all purposes and shall fully bind the party whose facsimile signature appears on this Agreement.

EMPLOYEE:

NU SKIN INTERNATIONAL, INC.:

By: _____

Its: _____

DATED: _____

DATED: _____

EXHIBIT “A”

**NOTICE TO ELIGIBLE EMPLOYEES
COVERED BY THE AGE DISCRIMINATION IN EMPLOYMENT ACT**

The following information is provided in compliance with the waiver provisions of the federal Age Discrimination in Employment Act, 29 U.S.C. Section 626 (f).

1. The group or class of individuals covered by the Voluntary Early Retirement Incentive Plan (the “Plan”):

The group or class of individuals covered by the Plan are eligible to receive incentive benefits as described in the Plan are employees of Nu Skin International, Inc. and any affiliate or subsidiary (the “Company”) who meet the eligibility factors identified in paragraph 2, below.

2. Eligibility factors for participating in the Plan are as follows:

- a. You must be a full-time employee of the Company who is 59 ½ years of age or older.
- b. You must voluntarily elect to participate in the Plan by resigning your employment and retiring from the Company on or before July 25, 2003.
- c. You must fill out and sign the Election Form provided to you by the Company, and submit the completed and signed Election Form to the Company no later than July 25, 2003.
- d. You must sign and submit the Release and Separation Agreement provided to you by the Company in which you agree to release and waive any and all claims, whether known or unknown you have or may not have against the Company no later than July 25, 2003. The Release and Separation Agreement must be signed and submitted at the same time you sign and submit the Election Form, and both must be dated the same day.

3. Time limits applicable to the Plan:

You will have until July 25, 2003 to consider the Release and Separation Agreement, and decide whether you wish to retire early and participate in the Plan. You may sign and submit the Election Form and Release and Separation Agreement at any time on or before July 25, 2003. If you fail to sign and submit the Election Form and the Release and Separation Agreement on or before July 25, 2003, you will be deemed to have declined to participate in the Plan, and you will not receive any incentive benefits.

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The Election Form and Release and Separation Agreement must be signed, dated, and submitted to Nu Skin at the same time, on the same day.

In no event will you have less than a full 45 days to consider the Release and Separation Agreement before signing it.

You will have seven (7) days to revoke the Release and Separation Agreement after you sign it, if you so choose. If you do not revoke the Release and Separation Agreement within the seven (7) day period, you will thereafter receive your incentive benefits according to the terms of the Release and Separation Agreement. If you revoke the Release and Separation Agreement, you will not be entitled to participate in the Plan and receive incentive benefits, and your employment with Nu Skin will be reinstated.

If you choose to participate, your retirement and termination of employment with the Company will be effective on the day you sign and submit your Election Form and Release and Separation Agreement.

4. Job titles and ages of individuals eligible to participate in the Plan.

See attached form.

5. Ages of individuals in the same job classification or organizational unit not eligible to participate in the Plan.

See attached form.

EXHIBIT 31.1
SECTION 302 – CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, M. Truman Hunt, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/ M. Truman Hunt

M. Truman Hunt

Chief Executive Officer

EXHIBIT 31.2
SECTION 302 – CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ritch N. Wood, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/ Ritch N. Wood

Ritch N. Wood

Chief Financial Officer

EXHIBIT 32.1
SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Truman Hunt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/ M. Truman Hunt
M. Truman Hunt
Chief Executive Officer

EXHIBIT 32.2
SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ritch N. Wood, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 12, 2003

/s/ Ritch N. Wood
Ritch N. Wood
Chief Financial Officer