

South Asia/Pacific. The following table sets forth revenue for the South Asia/Pacific region and its principal markets:

	2002	2003	Change
		(U.S. dollars in millions)	
Singapore/Malaysia	\$ 64.3	\$ 36.7	(43%)
Thailand	13.0	22.7	75%
Australia/New Zealand	11.0	13.5	23%
Philippines	2.8	2.9	4%
South Asia/Pacific total	\$ 91.1	\$ 75.8	(17%)

Excluding the impact of changes in foreign currency exchange rates, revenue in South Asia/Pacific decreased 21% in 2003 compared to 2002. The decrease in revenue in this region was due primarily to the combined decrease in Singapore and Malaysia. Both Singapore and Malaysia were opened in the last two years. We often experience a revenue contraction after an initial period of rapid revenue growth following the opening of the market. 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 distributor enthusiasm related to the planned opening of expanded operations in China in January 2003, which drove revenue growth throughout 2002. This decrease was somewhat offset by an increase in revenue in both Thailand and combined Australia/New Zealand.

Other Markets. The following table sets forth revenue for our Other Markets:

	2002	2003	Change
		(U.S. dollars in millions)	
Europe	\$ 25.6	\$ 32.0	25%
Latin America	2.7	2.8	4%
Other Markets total	\$ 28.3	\$ 34.8	23%

This increase was primarily due to a 25% increase in revenue in Europe, which included the 17% favorable impact of currency fluctuations in 2003 compared to 2002.

GROSS PROFIT

Gross profit as a percentage of revenue increased to 82.1% in 2003 compared to 80.2% in 2002. Our gross profit was positively impacted by the divestiture of our professional employer organization, the decline in low margin revenue from Big Planet, a new personal care manufacturing plant in China and the positive impact of fluctuations in foreign currency in 2003 compared to 2002.

SELLING EXPENSES

Selling expenses as a percentage of revenue increased to 41.3% in 2003 from 39.6% in 2002. In U.S. dollars, selling expenses increased to \$407.1 million in 2003 from \$382.2 million in 2002. The increase in selling expenses was due to the increase of sales employee labor and commission expenses in China. In addition, selling expenses as a percent of revenue increased due to the divestiture of our professional employer organization, which paid no commissions, and by the introduction of leadership incentives in Japan and in the United States.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses as a percentage of revenue remained nearly level at 29.4% in 2003 from 29.6% in 2002. In U.S. dollars, general and administrative expenses increased to \$289.9 million in 2003 from \$285.2 million in 2002. The U.S. dollar increase during 2003 in general and administrative expenses was primarily due to the incremental costs associated with the expansion of retail operations in China in 2003, as well as the negative impact of foreign currency fluctuations on operating expenses in 2003. These increases were somewhat offset by the reduction in labor expenses resulting from our restructuring that occurred in the third quarter of 2003.

RESTRUCTURING AND OTHER CHARGES

Restructuring and other charges of \$5.6 million recorded in the third quarter of 2003 include \$5.1 million of expenses resulting from an early retirement program and other employee separation charges. As a result of these employee termina-