

FINANCIAL REVIEW

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of December 31, 1997, 1998, 1999 and 2000 and for the years ended December 31, 1996, 1997, 1998, 1999 and 2000 have been derived from the audited consolidated financial statements. The financial data as of December 31, 1996 is unaudited but, in management’s opinion, includes all necessary information to present fairly the information included therein. The Company’s consolidated financial statements for all periods presented before December 31, 1998 have been combined and restated for the acquisition of Nu Skin International, Inc. (“NSI”) and certain other related affiliates in March 1998 (the “NSI Acquisition”).

INCOME STATEMENT DATA (U.S. dollars in thousands, except per share data)	Year ended	December 31,	December 31,	December 31,	December 31,	December 31,
		1996	1997	1998	1999 ⁽²⁾	2000
Revenue		\$ 761,638	\$ 953,422	\$ 913,494	\$ 894,249	\$ 879,758
Cost of sales		171,187	191,218	188,457	151,681	149,342
Cost of sales—amortization of inventory step-up		—	—	21,600	—	—
Gross profit		590,451	762,204	703,437	742,568	730,416
Operating expenses:						
Distributor incentives		282,588	362,195	331,448	346,951	345,259
Selling, general and administrative		168,706	201,880	202,150	265,770	294,744
Distributor stock expense		1,990	17,909	—	—	—
In-process research and development		—	—	13,600	—	—
Total operating expenses		453,284	581,984	547,198	612,721	640,003
Operating income		137,167	180,220	156,239	129,847	90,413
Other income (expense), net		10,771	8,973	13,599	(1,411)	5,993
Income before provision for income taxes and minority interest		147,938	189,193	169,838	128,436	96,406
Provision for income taxes		49,526	55,707	62,840	41,742	34,706
Minority interest ⁽¹⁾		13,700	14,993	3,081	—	—
Net income		\$ 84,712	\$ 118,493	\$ 103,917	\$ 86,694	\$ 61,700
Net income per share:						
Basic		\$ 1.07	\$ 1.42	\$ 1.22	\$ 1.00	\$ 0.72
Diluted		1.02	1.36	1.19	0.99	0.72
Weighted average common shares outstanding (in 000s):						
Basic		79,194	83,331	84,894	87,081	85,401
Diluted		83,001	87,312	87,018	87,893	85,642

(1) Minority interest represents the ownership interests in NSI held by individuals prior to the NSI Acquisition in 1998 who are not immediate family members of the majority-interest holders. The Company purchased the minority interest as part of the NSI Acquisition.

(2) 1999 results include transactions during the year which are discussed in detail in Management’s Discussion and Analysis of Financial Condition and Results of Operations.