

#### WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING

The following is a reconciliation of the weighted-average common shares outstanding for purposes of computing basic and diluted net income per share (in thousands):

	Year Ended December 31,		
	2002	2003	2004
Basic weighted-average common shares outstanding	81,731	78,637	70,734
Effect of dilutive securities:			
Stock awards and options	1,397	904	1,893
Diluted weighted-average common shares outstanding	83,128	79,541	72,627

For the years ended December 31, 2002, 2003 and 2004, other stock options totaling 2.7 million, 2.9 million and 0.6 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

#### REPURCHASES OF COMMON STOCK

Since August 1998, the board of directors has authorized the Company to repurchase up to \$90.0 million of the Company's outstanding shares of Class A common stock on the open market or in private transactions. The repurchases are used primarily for the Company's equity incentive plans and strategic initiatives. During the years ended December 31, 2002, 2003 and 2004, the Company repurchased approximately 1.2 million, 0.8 million and 0.1 million shares of Class A common stock for an aggregate price of approximately \$14.2 million, \$8.4 million and \$1.3 million, respectively, under these repurchase programs. Between August 1998 and December 31, 2004, the Company had repurchased a total of approximately 8.8 million shares of Class A common stock under this repurchase program for an aggregate price of approximately \$82.9 million.

Additionally, in October 2003, the Company repurchased approximately 10.8 million shares of Class A common stock from certain members of the Company's original stockholder group for approximately \$141.6 million, which included \$1.6 million of related expenses. These stockholders also sold approximately 6.2 million additional shares of Class A common stock to third-party investors. The transaction also included the agreement among all participants in the transaction to convert all of their remaining shares of super-voting Class B common stock to Class A common stock. The terms and conditions of the repurchase were approved by a special committee of the Company's board of directors comprised solely of independent directors. The special committee engaged its own financial and legal advisors in connection with the repurchase transaction. The Company financed the repurchase with \$45.0 million from existing cash balances, approximately \$20.0 million from its revolving credit facility, which was repaid prior to December 31, 2003 and \$75.0 million in new long-term debt drawn under the \$125.0 million shelf facility.

On July 30, 2004, the Company purchased approximately 3.1 million shares of common stock from members of its original stockholder group for an aggregate purchase price of \$71.0 million, or \$22.62 per share. These stockholders also sold 1.5 million shares to third-party investors. The Company purchased the shares pursuant to an option that was obtained by the Company as part of a recapitalization transaction completed in October 2003. The Company filed a registration statement with respect to the shares sold to the third-party investors.

#### CONVERSION OF COMMON STOCK

During 2002 and 2003, the holders of the Class B common stock converted approximately 3.5 million and 45.4 million shares of Class B common stock to Class A common stock, respectively. The conversion of 45.4 million shares of Class B common stock in 2003 was part of the repurchase transaction described above. As of December 31, 2004, all outstanding Class B common stock had been converted to Class A common stock.

#### 11. EQUITY INCENTIVE PLANS

During the year ended December 31, 1996, the Company's board of directors adopted the Nu Skin Enterprises, Inc., 1996 Stock Incentive Plan (the "1996 Stock Incentive Plan"). The 1996 Stock Incentive Plan provides for granting of stock awards and options to purchase common stock to executives, other employees, independent consultants and directors of the Company and its Subsidiaries. On February 7, 2003, the board of directors authorized and the shareholders approved an amendment to the plan increasing the number of shares available for grant from 8.0 million to 13.0 million. As of December 31, 2004, approximately 9.6 million shares or options have been granted.

In 2001 the Company offered to exchange certain outstanding options to purchase shares of Nu Skin's Class A common stock held by eligible option holders granted under the 1996 Stock Incentive Plan having an exercise price equal to or greater than \$10.00 per share for new options to purchase shares of Nu Skin's Class A common stock. A total of 90 employ-