

Charting a Smooth Path to Success

For Reliv International, Inc. 2005 was the fourth consecutive year of record-setting net sales. For the first time in our 17-year history, we generated more than \$100 million in net sales. We finished the year with \$113.6 million in net sales worldwide. In addition, Reliv reached an important benchmark in September, when we surpassed \$1 billion in cumulative sales at suggested retail. These two achievements are notable for what they say about Reliv: We are a company with staying power, built on a strong foundation of proven nutritional products and an attractive model for growth.

Reliv is just now hitting its stride. Our net sales have more than doubled since 2001. Virtually all of that growth came from our core business — the network marketing of nutritional supplements and food technology products. What's more, most of Reliv's growth was generated by products that we have offered for many years — such as our top-selling product, Reliv Classic.®

Once again in 2005, Reliv demonstrated that the path to a bright future is smoothly paved with a proven set of business components. We continue to find exceptional opportunity in the marketplace, simply by sharpening our focus on these components. The core components underlying our business model are:

- ▶ **Advanced nutrition and food science**
- ▶ **The power of network marketing**
- ▶ **A consistent system of business development**
- ▶ **A focus on international opportunity**

Targeting Health-Conscious Consumers With Good Nutrition Made Simple

Great products — right for the times. That's a concise summary of Reliv's product strategy. Our mission is to "Nourish Our World." We make it simple for consumers to get the nutrients they need to lead healthy lives by offering them a small but proven family of nutritional supplements.

A narrow product line doesn't mean limited opportunity. Just the opposite: Our complete and balanced supplements, Reliv Classic® and Reliv Now,® make nutrition simple. Our customers don't need to juggle multiple supplements to meet their basic nutritional needs. We believe that it is this simple approach to comprehensive nutrition that appeals to most people looking for an easy and convenient way to improve their nutritional intake. For individuals with more specific needs, we provide 11 additional nutritional supplements that complement and enhance the benefits of our basic nutritional supplements. We believe that our narrow and effective product line is an advantage. Our motto is "Nutrition Made Simple. Life Made Rich."

The marketing potential is enormous, in part because of well-publicized concerns over health threats such as obesity and cardiovascular disease. The U.S. Department of Health and Human Services reports, for example, that obesity causes more than 300,000 deaths in the country every year. The number has grown by 33 percent over the past decade. At the same time, the World Health Organization attributes one in three deaths worldwide to cardiovascular disease. It is far and away the world's leading health-related mortality factor.



In both cases — obesity and cardiovascular disease — studies have shown that diet and exercise can limit an individual's risk. However, it's not always easy for people to balance their diets to ensure that they consume all the nutrients they need for optimum health. And that spells opportunity for Reliv: Thanks to our expertise in food science, we are able to offer products precisely formulated to deliver outstanding nutritional benefits.

Our product line is anchored by two basic nutrition products — Reliv Classic and Reliv Now. Both supplements are formulated to deliver daily doses of several essential vitamins, minerals and nutrients. A key ingredient in both products is soy — a nutrient that has long been known to produce a broad range of health benefits.

Since 1999, for example, the U.S. Food and Drug Administration has allowed manufacturers to say on their packaging that consuming 25 grams of soy protein daily, as part of a diet low in saturated fat and cholesterol, may reduce the risk of heart disease. In addition, recent studies have shown a link between soy consumption and:

- ▶ bone strength in postmenopausal women
- ▶ reduced risk for hormone-related cancers
- ▶ weight and body-fat reduction
- ▶ improved glycemic (blood sugar) control

Both Reliv Classic and Reliv Now offer at least 6.5 grams of soy protein per serving, making them excellent sources of this beneficial nutrient.

In 2006, Reliv will take advantage of recent developments in soy processing technology to make our two top-selling products even more appealing than they were before.

In the past, Reliv used an extract from soybeans — called soy isolate — to provide protein for our nutritional supplements. New processing technology now permits Reliv to use “whole soybean” powder, rather than an extract, as our primary protein source. Besides delivering just as much protein as the extract it replaces, this whole-soybean powder delivers a variety of other nutritional components that occur naturally in the bean, such as antioxidants, unsaturated oil, fiber, phytonutrients and isoflavones. The result? By refining our formula to include whole-soybean powder, we'll be making our two great products even better sources of potentially helpful nutrients.

Clinically Supported Formula Differentiates Reliv Product

Another notable entry in the product line is CardioSentials® — a supplement clinically supported as safe and effective in reducing the risk of heart disease. In an independent clinical trial supervised by Joe Vinson, Ph.D., a professor of chemistry at the University of Scranton in Pennsylvania, CardioSentials was shown to reduce lipids in patients who had elevated cholesterol levels.

With its clinically supported results, CardioSentials holds a singular position in a highly competitive marketplace. We now have scientific data showing that our product delivers the benefits it is intended to provide. In an industry where most product claims focus on the effectiveness of individual ingredients, not the finished product, this sets Reliv apart from the crowd.



CardioSentials® —
a supplement clinically supported
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Although CardioSentials is the first of our products to be clinically tested, virtually all of the products in our line are designed to help differentiate Reliv as a leader in nutrition science. In addition to CardioSentials, our product line includes several specific wellness supplements that appeal to today's consumers by targeting specific nutritional needs or concerns.

- ▶ **SoySentials®** | a women's daily protective supplement
- ▶ **FibRestore®** | provides a rich source of dietary fiber and antioxidants
- ▶ **Arthhffect®** | offering a naturally effective way to support healthy joint function
- ▶ **Reliv ReversAge®** | a formula that replenishes key hormones and revitalizes the body's major systems, to counter the effects of aging.

Reliv's product strategy is enhanced further by the fact that we offer proprietary formulas, many of which have earned patent protection. This assures Reliv distributors that they can build their businesses around several exclusive products, ones that simply are not available from other manufacturers.

Creating Exciting Opportunities Through Network Marketing

Reliv's growing family of independent distributors is the second key component of our successful business model. Reliv is a network marketing company; our products are not sold in stores. Instead, Reliv Now, Reliv Classic, and our other exclusive nutritional supplements are marketed directly to consumers by tens of thousands of enthusiastic independent distributors who are building their own profitable businesses by following the Reliv Success System.

The cornerstone of the Reliv Success System is an attractive compensation plan that allows distributors to earn profits on the Reliv products they sell personally and, in the case of Master Affiliates and above, overrides on the sales generated by any Master Affiliates and above they sponsor into Reliv.

Reliv's compensation plan is specifically designed to spur recruiting, by making it simple for new distributors to experience success. The compensation plan offers generous income payouts. As a result, Reliv distributors can earn substantial income even when they're just starting to build their businesses.

In recent years, Reliv has earned a reputation as one of the network marketing industry's best ground-floor opportunities. The proof: Since 2004, Reliv's distributor count went up by 10.3 percent in the United States, our largest geographic market. In contrast, the network marketing industry in the United States averaged only a 2 percent annual increase in direct sellers from 2002 through 2004, the most recent years for which data is available (Source: Direct Selling Association).

Reliv considers distributor advancement another key performance indicator. One important marker is growth in the number of distributors who reach the Master Affiliate and above level of the network. Master Affiliates and above are essential to our continued success, because these distributors have demonstrated two important skills: ability to sell a significant volume of Reliv products and success in recruiting new distributors into their downline organizations.

In 2005, Reliv saw Master Affiliate and above ranks increase by more than 26 percent in the United States, and by 18 percent worldwide. In addition, 60 distributors advanced to the rank of Reliv Ambassador during the year. Today, Reliv boasts 298 Ambassador-level distributors worldwide. They are a deep bench of proven performers who can help lead us into new markets.

Reliv Ambassadors recognized onstage at the 2005 International Leadership Conference



Particular segments of the market have experienced even more dramatic growth. For example, just two years after launching bilingual marketing to attract U.S. Hispanics, Reliv now has Hispanic distribution networks operating in 50 U.S. cities — 10 times as many as we had in 2002. Our U.S. Hispanic division saw its 2005 revenues increase by 37 percent over the prior year.

The Reliv Success System: A Proven Path to Growth

Reliv distributors excel at building their businesses in large part because they are supported by the Reliv Success System. This consistent set of regularly scheduled training activities and sales events is designed to put into motion easy-to-manage, 90-day cycles of business development.

In addition to using upline support and 3-way calls, the system is anchored by a series of activities held weekly in the local market:

- ▶ A Monday-evening training call
- ▶ A “Business Opportunity” meeting on Tuesday evenings where prospects hear about Reliv products and the marketing plan
- ▶ A training meeting on the following Saturday, where distributors gather for a half day of basic training

The Master Affiliate Training (MAT) school is another key component of the Reliv system. Held four times a year in dozens of locations around the world, MAT schools provide an opportunity for up-and-coming Reliv distributors to learn how to expand their organizations. Distributors must qualify for MAT school training. This is an incentive for new distributors to get their businesses off to a quick start and it keeps them on track toward achieving Master Affiliate status.

Leadership conferences serve as the capstone to the Reliv Success System. These conferences are held in many of Reliv’s “hot spots” — regions that are home to significant concentrations of Reliv distributors. In 2005, regional conferences were held in six markets across the United States. In addition, national conferences were held in Mexico, Australia, Singapore, and the Philippines. An Asia-Pacific conference drew Reliv distributors from five different nations. Designed to motivate and recognize top performers, Reliv’s yearly conference schedule culminates in our annual International Conference in St. Louis — an event that draws thousands of independent distributors from around the world to our headquarters city, to celebrate their successes in the past year.

These basic elements of the Reliv Success System have been fueling our growth in the United States. In 2005, Reliv added a number of enhancements to the system, including special recognition for distributors who excel at business building. We introduced our first-ever President’s Team at the International Conference, recognizing our top 10 earners for the preceding year.

Enhanced recognition is just one of the tactics Reliv will use in 2006 to drive an increase in sponsorship. On the corporate level, we plan to make a significant investment in public relations and advertising, using mass media to introduce Reliv to potential new distributors. This sophisticated marketing effort will be the first of its kind for Reliv. It should reach tens of thousands of success-oriented individuals in the United States and Canada with



Leadership conferences serve as the capstone to the Reliv Success System

a sharply targeted message about the Reliv business opportunity. We expect the program to produce many qualified leads and to extend awareness about us in a way that significantly strengthens our one-on-one marketing.

Reliv is also testing new ways to support distributors in the field — particularly Ambassador-level distributors who are actively engaged in building downline organizations outside of the United States. Because the leadership and experience of top producers is essential in developing markets, Reliv works closely with these leaders to ensure that they have the resources they need to build effective networks. This decision to provide strategic support for Ambassadors in developing markets is an extension of our determination to replicate the Reliv Success System in markets worldwide.

Cultivating Consistent Growth In Proven Markets Worldwide

Prior to 2004, many of Reliv's international markets had grown up under compensation models and training programs that differed significantly from the simple, consistent system used successfully in the United States since 2000. In 2004, we launched an 18-month program to standardize our business model worldwide. The transition has been painful in some markets, leading to sales declines and some shrinkage in our local distribution networks. But the changes were essential, because they make it possible for Reliv to manage its worldwide markets consistently with the United States.

During 2005, Reliv appointed new corporate leadership in several important international markets. A new managing director was named for our operations in the United Kingdom and Ireland. In addition, a new national sales manager was hired for Australia and New Zealand. Combined with Reliv's proven business development system, the new leadership is helping to create a solid foundation for growth.

Reliv also launched a new international market in 2005: We opened for business in Germany last July. We chose Germany as our first venture into continental Europe because Germany has one of the world's most well-established consumer economies. It is also one of the world's largest markets for direct selling, generating almost \$3 billion dollars in network marketing sales annually (Source: World Federation of Direct Selling Associations).

With the launch of our German operations, Reliv now has an active presence in 11 countries — including seven of the world's top 15 markets for direct selling. Reliv continues to pursue international business for one simple reason: Opportunity.

The United States today represents less than 30 percent of the worldwide market for direct selling. In fact, many of Reliv's competitors generate half or more of their revenues from countries outside the United States. Just 10 percent of Reliv's sales came from markets outside the United States in 2005.

One of our strategic goals is to achieve better balance in our revenue mix, by realizing the proven sales potential in other world areas. Through our focused effort to create a consistent business model worldwide, Reliv has taken an important first step toward that goal.

Reliv Germany opened for business in July 2005, and marks the company's entry into continental Europe

