



## To our shareholders:

I'm pleased to report another strong year for Reliv in 2006. We posted record sales and earnings, we have no debt and we ended the year with more than \$9 million in cash. In short, Reliv is in excellent financial condition.

And we believe even stronger growth opportunities lie ahead of us. But before we explore our strategies for the future, let's review our 2006 financial performance.

Net sales for 2006 hit a record \$117.5 million, up 3.4 percent over 2005 net sales. Net income rose 5 percent to reach a record \$7.9 million, or \$0.47 per diluted share, vs. \$7.5 million, or \$0.46 per diluted share, in 2005. We increased our dividend by 33 percent, to \$0.10 a share.

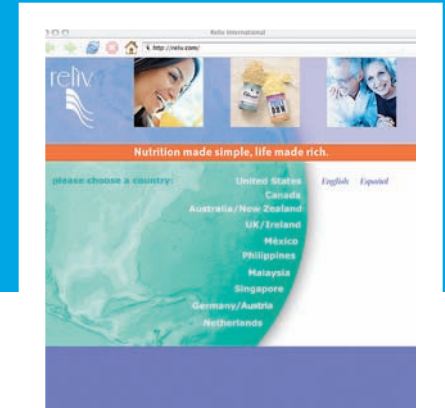
The United States accounted for 90.0 percent of our total net sales in 2006, vs. 90.3 percent in 2005. U.S. sales of \$105.8 million reflected a 3.2 percent increase over 2005 U.S. sales. Sales outside of the United States rose 6 percent, to \$11.7 million. That's an important gain for Reliv, because it represents a turnaround from 2005, when non-U.S. sales declined from the year before. Leading the gains were Reliv Australia/New Zealand with a 15 percent increase in net sales, Reliv United Kingdom/Ireland with a 46 percent jump, and Reliv Germany, which completed its first full calendar year in business.

I attribute our 2006 growth to progress in three key strategic areas: products, distributor support, and carefully planned investments in our markets. In 2007, our No. 1 goal is to open the doors of Reliv to more people than ever before, and those three areas will be the keys to our success.

### Products

Let's talk about products first. We continue to improve our position in the \$67 billion dietary supplement market by enhancing our unique, proprietary nutritional products. In 2006, we incorporated whole soybean powder into Reliv Classic®, Reliv Now®, and several other products. These products always provided soy protein, but now they also include all of the health-promoting benefits of soybeans. We also added another important ingredient – pycnogenol – to Reliv Classic and Reliv Now. The addition of whole soybean powder and pycnogenol makes these excellent products even better.

New products are also part of the mix. In 2006, our research and development arm created the new products that constitute the Simplicity™ Weight Loss System, which we introduced at our Phoenix Leadership Conference in February 2007. These are timely new products for Reliv. The U.S. meal replacement and appetite suppressant market has sales of more than \$1 billion, and it is a highly competitive but lucrative market that we have not penetrated effectively. About 70 million people say they are dieting to lose weight, and 70 percent of those go it alone for a variety of personal, financial and lifestyle reasons. Each of these individual dieters is a potential customer and distributor for Reliv.



The Simplicity Weight Loss System comprises a powdered formula for a shake designed to replace a meal, and capsules to facilitate safe weight loss. I'm excited by this product, and so are our distributors, who greeted the product with great enthusiasm at the February launch. We believe Simplicity helps us in two ways: It gives us a competitive entry in the weight-loss category, and it offers distributors and customers an excellent new entry point into Reliv.

## Distributor Support

Our outstanding business opportunity is another compelling reason that draws people into Reliv. We encourage our distributors to share their success by recruiting new people into our business. We welcome everyone to Reliv, from retail customers to Master Affiliates. The Master Affiliate position is the gateway to the greatest income potential in Reliv, so we are always seeking to increase the numbers of our Master Affiliates. We achieve that both by recruiting people to join the business at the Master Affiliate level and by recruiting them at lower levels and showing them how to expand their business to become Master Affiliates.

To support our distributors, in 2006 we invested more money in sales and marketing than ever before. We introduced a new distributor sales kit and a new CD, both designed to make it easier for new distributors to get started and succeed. We held our most elaborate International Conference ever last July. *Success from Home* magazine featured our company in its July issue, which many Reliv distributors successfully used in their recruiting efforts.

And we didn't stop there. In the fourth quarter of 2006, we began revamping our training for rollout in the first quarter of 2007. Our goal is to make it easier for new distributors to grasp the basics of this business so they can taste success more quickly.

On the technology front, we spent much of 2006 redesigning and fine-tuning our Web site [www.reliv.com](http://www.reliv.com). We launched the redesigned site at our Atlanta Leadership conference in January 2007. I urge you to visit it, if you haven't already. It's an attractive, easy-to-use site. But most important, at the top of every page are links that allow any visitor to get information about becoming a distributor, and any existing customer to order products.

I'm also excited by a new distributors-only section, which provides a wide variety of new electronic tools. In this section, distributors can also find contracts to sign up new distributors, promotional and informational material, monthly statements, business forms and more. I believe that this Web site can be a strong sponsoring tool also.

## International Opportunity

We are determined to open our doors to more people outside of the United States. The direct sales market has undergone a great shift since Reliv was founded 19 years ago. At that time, according to a Jan. 6, 2007, *Los Angeles Times* story, the United States accounted for 80 percent of the global direct-sales market. Today, the United States accounts for about 15 percent of the global market, with 85 percent of this \$102 billion business taking place outside of this country.



To date, however, Reliv has almost the opposite sales mix: 90 percent of our net sales come from the United States. That gives you an idea of the vast international opportunity we have. We are attacking it from a number of angles.

- A strategic initiative led by a group of top U.S. distributors has successfully spurred growth in our Australia/ New Zealand region. We plan to extend that initiative this year.
- We created the new position of director of nutrition technical services. One of the responsibilities of the director is to secure legal approvals for our products to be sold abroad. As we gain more of these approvals, we expect our business outside of the United States to increase.
- We strengthened our non-U.S. corporate staff through several new hires in 2006. We created a new position, national sales director for Canada, to support Canada's promising results. We also brought in new national sales managers for the United Kingdom and Mexico, and we continue to work with our Asian markets to improve their results. In all cases, our focus is on raising sales by opening our doors to more new people.
- We expanded our European business into Austria and the Netherlands.

I believe we're well positioned to see continued growth in our non-U.S. markets.

## Management

Reliv's corporate staff, led by our management team, is solidly behind the goal of bringing new people into this business. We now have in place a group of senior executives who can lead this company effectively for decades. Scott Montgomery, executive vice president and chief operating officer, continues to take on more responsibility; he already provides leadership to many parts of the company. Steve Hastings and Ryan Montgomery, our vice presidents of sales, have proved their leadership skills in their work with our distributor network. Steve Albright, our chief financial officer, and Kurt Wulff, our vice president of marketing, are the excellent leaders who round out our senior management team.

All of those executives have played key roles in the significant growth of Reliv since 2000. In fact, that growth has been so great that it has created a need for additional management talent. So in addition to the international staff noted above, we have brought in more top managers.

- We hired a new director of corporate communications to handle public relations, investor communications, and government affairs. This is Reliv's first public relations staff position. We are already gaining additional recognition and generating more news coverage than ever before.
- Our new director of information technology systems is busy planning our next generation of IT systems to streamline and improve our technology, increase our productivity, and achieve cost efficiencies.

We bolstered our internal operations in 2006 in ways that will have a positive impact on Reliv. Some examples:

- The volume of our U.S. Internet sales doubled from December 2005 to December 2006, jumping from 14 percent to 28 percent. This helps distributors conduct their businesses more efficiently, and it allows our distributor service center to focus more on customer service than on order taking.



- Phone service efficiency improved from 85 to 95 percent. That simply means that more distributors reached a Reliv representative on their first call, thus increasing their productivity.
- Turnover in our call center is about 30 percent below the national average. Our call center employees are more experienced, and Reliv can be more productive because we spend less time training new hires than other call centers.
- The bottom line: Everything we do to enhance our Distributor Service Center allows us to serve our distributors better.

During 2006, we were pleased to be named to lists of the best American small companies by several national business magazines. We were named to the Forbes “Best 200 Small Companies,” the Fortune Small Business “Top 100 Fastest-Growing Small Companies,” and the BusinessWeek “Top 100 ‘Hot Growth’ Companies.” This is great validation of our business model and our people. In addition, St. Louis Commerce magazine recognized Reliv as one of the top 50 companies shaping the future of St. Louis.

Finally, I want to mention the Reliv Kalogris Foundation. Over the years, it has distributed more than \$11 million in nutritional products to children and adults in need throughout the world. Approximately 20,000 people, mostly children, are served daily. The foundation is named for the late “Dr. Ted” Kalogris, who developed Reliv Classic, our first product. The foundation advances our desire to be a good corporate citizen. The distributors who fund the foundation are absolutely dedicated to the good deeds it does. In fact, I believe their passion for the foundation also helps bring more people into Reliv.

I look forward to addressing you again next year. I believe 2007 will be our best year yet.

Sincerely,

Robert L. Montgomery  
Chairman, President, and Chief Executive Officer  
April 1, 2007