



Dear  
Fellow  
Reliv  
Shareholder...

The global economic decline in 2008 had an impact on nearly all companies, including Reliv. We were not hit as hard as some other companies, however, and we believe we have solid growth opportunities in 2009. In fact, we think this is the right time for Reliv: the right time for our business opportunity and the right time for our products.

Our financial house is in order. We continue to generate cash and profits, and our balance sheet remains strong. Our senior management team averages 14 years of Reliv experience. We have built credibility and trust with our distributor base.

Our product lineup is stronger than ever. With the introduction of GlucAffect™ in November 2008, Reliv now has products targeting many of the major health problems in our society. GlucAffect can help people manage their blood sugar levels. Other products target heart health, weight management, bone and joint support, digestive health and essential daily nutrition.

In short, we believe we are well-positioned to capitalize on our opportunities in 2009.

## 2008 Performance

Our 2008 overall performance did not match our performance in 2007. Our operating income during the second half of 2008, however, outpaced our results in the second half of 2007.

Net sales for 2008 were \$98.2 million, an 11.6 percent decline compared with 2007 net sales. A drop in U.S. sales of 13.2 percent for the year was responsible for the company's overall sales decline. Sales outside of the United States rose almost 1 percent, to \$12.8 million in 2008.

Net income for 2008 totaled \$2.9 million, or \$0.19 per diluted share, compared to \$5.0 million, or \$0.31 per diluted share, in 2007.



Our 2008 net income, excluding losses on a private equity fund and other investments in the fourth quarter, along with adverse tax consequences, was \$3.6 million, or \$0.24 per diluted share.

Our total distributor base declined during 2008 by 3.8 percent. We ended the year with 67,340 distributors.

In 2008, Reliv generated net cash from operations of \$3.7 million. We had cash and cash equivalents of \$4.5 million as of Dec. 31, 2008.

We repurchased shares of our common stock throughout the year. Overall, we purchased 1.6 million shares in 2008 for \$9.4 million, paying an average of \$5.75 per share.

## Positioning for 2009

A series of steps in the second half of 2008 to rein in costs brought immediate benefits: We saw greater operating income in the fourth quarter of 2008 than in the fourth quarter of 2007, excluding the charges noted above. We achieved that gain in operating income despite lower net sales in the fourth quarter of 2008 than the same quarter in 2007.

The most productive cost savings step was the consolidation of our European operations. We also reduced sales-related expenses as well as overall selling, general and administrative costs during the year. I expect some of these cost reductions to continue to benefit Reliv in 2009.

We initiated technology enhancements that offer both short- and long-term improvements. In 2008, we began a long-term process of updating our information technology platform. We expect to gain internal efficiencies as well as better and more timely data for management as this process proceeds.



We continued a positive trend of shifting distributor orders from the telephone to the Internet. By the end of 2008, we were receiving 40 percent of our orders online, vs. 30 percent in 2007. We also achieved efficiencies with a new online conference-registration process.

We introduced an automatic shipping program called Direct Advantage, which ensures that customers receive their supplements on time every month. The program also means a steady flow of profit for distributors, who no longer need to contact every customer every month to write new orders.

Finally, we launched a new software program called the Distributor Dashboard, which enables upline distributors to oversee the progress of their downlines more efficiently. We generate internal cost savings by operating the new program in-house.





## Looking Ahead

Our overriding goal for 2009 is to return to growth, and we believe we have the right products and the right business opportunity to achieve this goal. We plan to renew our focus on our U.S. business while improving operations in Asia, Australia, Europe, Mexico and Canada. We consistently look to invest in initiatives to increase sales, sponsoring and our retention rate. Our chief growth strategies are to:

- **Develop new products**
- **Introduce U.S. products into markets outside of the United States**
- **Build closer relationships with our distributors**
- **Improve operating efficiencies**
- **Expand geographically**

Our training in 2009 will stress that Reliv offers the perfect business opportunity for people who would like to earn additional income or start their own business. The Reliv opportunity may be particularly attractive to laid-off workers who want to be part of the growing trend of people who work from home. We are offering business kits at half-price as an incentive for distributors to sponsor more people into the business.

In the fourth quarter of 2008, we introduced our newest product, GlucAffect, which has been clinically proven to help manage blood-sugar levels and support weight loss. The launch took place in the midst of news reports concerning the increasing health risks of being overweight and managing blood-sugar levels. We believe GlucAffect has excellent long-term growth potential, and we are working to introduce it into markets outside of the U.S. as soon as possible. The strategic introduction of other existing products into non-U.S. markets continues to be a growth strategy for Reliv.

We constantly work to develop other new products. In fact, we have increased our commitment to research and development by expanding our R&D department. The department, along with Chief Scientific Officer, Dr. Carl W. Hastings, is working on new product concepts that would complement our main powdered supplements.

We intend to strengthen relationships with our distributors, in part by expanding a program in which senior executives attend special events in cities with strong Reliv representation.

To improve distributor efficiency, we have designed new online tools. We plan to introduce personal, replicable, distributor Web sites in 2009 to help our distributors succeed and to attract younger distributors to Reliv.

We officially began conducting business in Brunei in February 2009. We intend to capitalize on the strong ties our distributors in existing Asian markets already have there. We expect this venture to require minimal additional general and administrative support. Additional international expansion opportunities may come later in 2009.

During 2009, we are determined to control costs throughout the company, as we did when we restructured our operations in the European Union.





## Reliv Kalogris Foundation

Our charitable arm, the Reliv Kalogris Foundation continues to do great work. In 2008, the Reliv Kalogris Foundation provided free nutritional supplements every day to more than 42,000 impoverished people – mostly children – in 10 countries. Our distributors contributed almost \$1 million to the Foundation during the year, a terrific accomplishment considering the economic circumstances. Since its founding, the Foundation has donated more than \$17 million in Reliv products to feed needy people throughout the world. In February of 2009, we launched a new Web site for the Foundation at [www.relivkalogrisfoundation.org](http://www.relivkalogrisfoundation.org). Please visit that Web site to learn more about the Foundation's fine work.

I want to thank you all – our shareholders, for their unwavering support; our distributors, whose passion for Reliv is unsurpassed; and our dedicated employees, who help our distributors succeed.

We will continue to work hard to accomplish our mission – to Nourish Our World – in 2009.

Robert L. Montgomery  
Chairman, President and Chief Executive Officer