

FINAL TRANSCRIPT

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PRESENTATION

Richard Goudis - Herbalife Limited - CFO

Okay. Good morning. Good morning, everybody. Good morning, ladies and gentlemen, those of you in the room and those of you who have joined us via webcast. Well, we are live from 10 o'clock this morning West Coast Time to 1:00 p.m. West Coast Time. For many of our investors and analysts, the investor experience really started last night with dinner. So, we thank you those who came out early, especially those who joined us this morning on tours of our Nutrition Club.

Over the next three hours, what we hope to do is a few things. One, introduce you to several different levels of management in the Company, as well as a broader introduction to several of our doctors, who are affiliated with our Company and employees of the Company. But, most importantly, we want you to hear from Greg and Michael about our business, about our business opportunity, about the channel distribution in which we exist and explore on a worldwide basis, better understanding of our financials, and our outlook for 2008.

So, with that, it is my pleasure to introduce Michael Johnson, our CEO and Chairman. Michael comes to us -- he has been with the Company four and a half years, and you have his bio both online and in front of you, most recently to Herbalife, Michael was 18 years with The Walt Disney Company, last position as President of Disney international. And we are very fortunate, not only to have that experience, but also the team of people that Michael [was] -- been affiliated with over the 18 years at Disney part of our team.

So, with that, Michael. Thank you,

Michael Johnson - Herbalife Limited - Chairman and CEO

Thanks, Rich. Good morning, everyone. Hope you had an interesting and enlightening morning so far out in the marketplace seen our Nutrition Club, seen our Company in action not only from an employee standpoint, but most importantly from a distributor standpoint, seen how they engage new distributors and see how they engage customers on a daily basis in our Company.

Today, you are going to find me a little more controlled, some of you who have been in my presentations before, and I get in emphatic and start getting emotional and jumping up and down, but I have been convinced by many people that this is a new

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group, and there's a lot of folks in here, and as we broadcast out, that I should be a little more controlled -- a little more thoughtful here, and I will be both of those, but you are going to get some emotion.

So, I will keep myself a touch more organized. And as I said -- before and Rich said it, we want you to see our team, we want you to feel our team, we want you to understand the passion, the emotion, the confidence that is behind this Company right now, how we are building this Company not only today but for the future. And the opportunities that we see in front of us are as exciting and as large as any time that this Company has ever existed. So, we are very, very excited about that.

When you're around Herbalife, you will feel our culture, you will see our people in here, you will see a lot of team Herbalife wear inside the Company, you will see what we stand for. You will hopefully be able to engage people on how we are changing and adapting to a new environment. You will get an idea of the size of the channel that we are dealing in, and I am going to show you that in just a second, and also show you that today, we hope that you will pick up that in our company, we see a growth rate that is very, very interesting.

And many of you are from the staple consumer products business, and you are focused on that area. I too am a veteran of that area, used to sell video cassettes at Disney and that was a -- is now considered DVDs and videos are considered not a staple, but they are definitely a consumer product. And as we see that we want to show you how that growth rate, or how our growth rate in our company is really better than that staple consumer marketplace, and how we are adapting and growing to a worldwide market. So, let us go through a few slides here right now, and I am going to again talk of a few notes here.

Successful track record, driven by global mega trends, we have had 15 consecutive quarters of double-digit growth inside Herbalife, very proud of that. We are living with two global mega trends, obesity -- and I heard this morning on the radio on the way in here and I couldn't believe this, I was listening to public radio.

But, in ten years, and just take a second to think about this, what percentage of just America do you think is going to be overweight? And Lou, you can't answer this nor David, you are not allowed to, because you guys live in this world, nor Steve. 75%. 75% of America in ten years will be overweight. That is a mega trend that is unhappy, but it is an opportunity for this Company like no other time in this Company's history.

As we talk about weight management, as you go through those Nutrition Clubs like you went through this morning, if you hear people talk about losing ten, 20, 30, 40, 50 pounds, because of the dedication to this product, because of the discipline that they follow in their lives now that they did not have before, and that is a big part of our product sale is the discipline to our products. This is a mega trend and an opportunity that is in front of this Company, not behind it.

So, we have a tremendous opportunity. And anti-aging, this is also a tremendous growth market. People want to feel as good as they do today forever and that is one of our key market areas. So, two global mega trends, obesity and anti-aging. Direct [channel] -- direct selling, excuse me, is an optimal channel for reaching out to people.

People need to be personally consulted in what their doing -- again you saw that in Nutrition Club this morning, working with people of their own like. It is almost, I would be careful of this, it's almost like Alcoholics Anonymous for weight. People get together and they learn from each other and they pick up a discipline, and they become connected, and they lose weight and they feel better about consulting. They don't want to get off that opportunity, they don't want it to go away.

And so, we are building really a future on this Company based on a global mega trend, but also an opportunity for people to grow in the direct selling business, because it's [consultative], it's person-to-person and it opens up a tremendous channel for us. So, emerging marketplace, we see this and you are going to see this (inaudible) on many slides.

The consumer packaged goods companies, Nestles of the world, Carnations of the world, they are coming into the direct selling marketplace by repackaging products -- we started doing that three years ago, packaging our products for special opportunity selling in the direct channel, direct selling marketplace. We are seeing companies do this in Brazil and India, and they are starting

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to repackage products so they can reach into a different universe of buyers. We have been ahead of that trend and we will continue to be on the forefront of it.

As I just mentioned to you, India and Brazil and China and other markets, we have geographic diversification and product categories diversified in this Company, and we will talk to you about those throughout today. We have four major product categories, we have -- and which we will go into.

We have a breadth of opportunities beyond our anchor of weight management, we have energy products, we have personalized nutrition and outer care, very excited about each one of those categories. In some marketplaces -- our outer care our Outer Nutrition as we call it, is growing our business. In many marketplaces, our targeted nutrition is growing our business.

And in most -- in all marketplaces, our weight management continues to grow. So, that -- those 15 quarters of consecutive growth come from not only building the business opportunity, but it is the product opportunity also. Our financial strength, and I think it is a given for many of you who have followed us, we have continued to have margin expansion, we will go into more of that in just a second, we are economically resilient in good times and bad times, people are either looking for a business opportunity [and] people are always looking to be healthy.

Emphasis on driving shareholder value, free cash flow has been allocated to high return on investment programs, again we are going to go into more of that today, we have been in the share repurchase -- been active in a dividend that we put into place. And lastly, but not least is our management. We are very excited about that management team, we want to showcase those for you today.

So, let's go to the industry history real quick. This is a 100 year old industry, in fact it is a little bit over older than that. AVON actually started in 1886, and there's been a lot of names through time who have been direct sellers or it's been Fuller Brush, or encyclopedia or bibles, or whatever -- it's been, there has been a lot of door-to-door sales, and this is an evolving marketplace. You heard me mention some of those companies that are coming in; we will show you a slide in just a second.

But just to show you a breadth of the activity in this industry, this is a snapshot obviously of the evolution of the industry, but this industry being over 130 years old, this chart shows how many long -- how long many of the key players have been involved in this business and continue to be involved, this is a long-term business channel that keeps getting reinvented; that's the important thing for you to realize.

This is not something that is just a trend that is going to come and go, this has been around 130 years and it's going to continue to be around, because it keeps getting reinvented. And as we see more consumer product companies enter into this channel, that is going to add more vitality and there is going to be a more vigorous attempt to capturing market in here.

If you look on this chart, all but two of these companies are public traded, so this is a marketplace that has lived in the public eye for quite some time. The direct selling industry is a growth industry. It has a -- CAGR in 1998 that you can see on there of 6% to 2006. But, it is also highly fragmented industry, nobody owns a majority of the market share of this industry.

And I think over time, you may see that change a little bit, you may not, but I think that as we grow our business, we certainly want to capture a larger share of this. 1980s, a strong growth trend was driven by new industry entrants and geographic expansion. In the 1990s, you will notice there was a plateau. And the 2000s, were rejuvenated by emerging markets, companies such as ours heading into China, India, Brazil, starting to build our businesses in new marketplaces. Growth is accelerating in the last five years, almost 7% again a little bit ahead of consumer staple.

As an industry we have been very, as I said before, economically resilient, we have gone through good times and bad times economically and the industry has continued to grow. This is a bit unlike consumer industry, where leading brands are accounting for the majority of the total share, I just mentioned that, this is highly diversified.

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Direct selling is fragmented, and it is where leading brands collectively represent a minority of the total business. So, we have, believe me, an opportunity to gain share in this because we believe that the leading brands will continue to gain share. We build a brand around Herbalife, it is for consumer friendliness, it is for distributors, but it is also to make people more aware of the brand that is out there and use that as a way to build share in the marketplace.

Traditional companies entering direct selling, you can look up here and you can see that these are some of the biggest names out there, Warren Buffett and Berkshire Hathaway, Citigroup, Jockey, Time Warner, P&G and Nestle. We -- Nestle is in the market in Brazil right now breaking down products and putting door-to-door sellers into the lesser economic areas of the Brazilian marketplace.

They have been very successful with this approach. We are keeping a very careful eye on what they are doing. But, we are also breaking out our products in the lower cost goods. We just launched a new skin care line in Brazil at a much lower cost, packaged in smaller units down there to be able to make it an easier sell for our distributors and an opportunity for our consumers.

Just going to Herbalife for those of you who have not been around us for a while, past, present and future, and this is kind of a -- usual part of my presentation. I came to this Company with Greg, and Brett, and Rich, and Paul and the team in here in 2003, and what we found in the Company was a great set of executives already here, we found a great distributor base already here, but frankly without a direction.

They had suffered the loss of their leader in 2000, there have been basically four managements in the year 2000 to 2003, and I came in here in April of 2003. We found a company that had frankly lost its compass, and we believe that it was very necessary to put some things in action in this Company very early, a strategic plan, so we came up with a five year strategic plan almost initially.

Those were unheard of words in the Company, the Company worked on a 90-day plan, they thought about the next 90 days all the time; they thought about with our distributors, they thought about with employee, and they thought about it through every phase of this action. What are we going to do for the next 90 days?

We thought that the Company needs a longer term focus. What are we going to be about the next five years? Where are we going to be as a company? What strategic ports will we sell into? What are the opportunities for our distributors, our employees, for our brands? What is the building block that is going to take this Company into the future? How are we going to create the next generation of Herbalife distributors?

So, a lot of things were put into place in that first five-year plan, and it is amazing when we first did it, we didn't think it was as valuable, but we look back at it now and we realize there is a lot of things in there that we have taken action on and we continue to update that plan on an annual basis.

So, our distributors, our employees, they had lost confidence in this Company, and my initial job was to restore confidence, it was to provide an opportunity of stability to say that we are going to go forward, we will survive, we will be strong, we have too much opportunity in front us, those global mega trends that are out there can provide for us.

So, what did we do? We restored confidence in the Company, a new management team, a strategy. We built top line revenue, distributor momentum; strategies to strengthen retailing, retention and recruiting, and those are the three Rs that we talk about around here consistently. Everything in this Company starts with recruiting new people in just like it does in any consumer staple company.

You have to recruit new customers, you have to recruit people to buy something off your shelf, to get them through your front door; we are just like that. We recruit new people to our business opportunity and to our products. Retention of those customers is vital to us, what you saw in those Nutrition Clubs today was the paradigm of perfect retention.

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They people -- those folks come back to those clubs day in and day out for years, not just weeks or months, but for years. We can take you down into Mexico and show you Nutrition Clubs that have had customers for four years, amazing story that take place and transpire. So, retention is vital, and recruiting as we said -- as I said before. So, retailing the product, you saw that today; retention, you saw that today, and recruiting you see that everyday inside Herbalife.

Expanding our geographic reach, we are continuing to grow in new marketplaces. We will throttle that back a little bit in 2008 as we build an IT infrastructure to support further expansion of our growth, but we did expand into many markets over the last five years. I don't have the list off the top of my head, but I can name -- in Latin America, we expanded in three or four markets, in China, we have gone into Eastern Europe and we continue to grow in those marketplaces, and we will be looking at other markets in Asia over the next two years.

We also are sharing best practices, which is something I think has been vital to our growth in the Company. Actually, this is an old Disney trick that Greg and I picked up, we used to bring our employees together on an annual basis inside the Company, we have a great idea session. And that great idea session was one of the most valuable meetings that we have inside the Company, because the guy from France would talk about how he grew his business, and the woman from the Germany would sit there and listen to that.

And you'd think well France and Germany, they must talk all the time, right, because they are right next to each other, well they're a foreign country to each other and they speak a different language. And the only border crossings in France and Germany are using unfriendly -- no, that was just a joke. I should be careful of those jokes. But, they didn't, and so the German, hears a great idea from the Frenchman and says, wow, I can import that into my marketplace.

This has been the basis of some of some of our growth and our strength in this Company. We populated executives -- if I look at Rob Levy back there, sitting next to David Heber, raise your hand Rob and say hi to everybody. We have Rob running, I don't know, almost every market in the world for us at this point.

But, Rob has gone from country to region to different geographic areas and he spread good ideas. He takes distributors from northern Latin America, which is growing like mad for us right now, and brings them into Asia to share ideas with Asian distributors, how do you grow your business; how do you build these Nutrition Clubs, how do you recruit new people, what are you retailing techniques, how do you retain.

And these people start to populate ideas across the universe that became very, very powerful for us, and we see the impact sometimes six months or even a year down the road, it is not immediate because it takes time for absorption, it takes times for ideas to hit the road, that they've put into place. So, it is a very valuable tool that we have in this Company, where we have a success center.

And right now, the U.S. is growing, it grew last quarter at 20%. So, why is the U.S growing, the oldest market that we have? Well, we have certain reasons that it is growing, the Latino marketplace is booming with Nutrition Clubs, we have a sampling pack that's going in through the Anglo marketplace, it has been widely successful.

So, the French come over and look at the sampling and they say, maybe I can implement this in my business. The Italians come over and look at the Nutrition Clubs, Germans look at the Nutrition Clubs, they go to Zacatecas, Mexico. So, we are fomenting this wonderful sharing of ideas across our firm.

Okay, so let's go to performance, which we are most interested in. Here is an interesting slide. And in terms of where this Company is today, when we talk about retail sales, we are talking about the mark-up value between our wholesale price, which is the price that the supervisors pay for the product a 50% discount and the market price. And everything you saw today in Nutrition Clubs with market price, there is full retail margin being charged in those Nutrition Clubs.

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Those distributors are putting retail margin in their pocket every single day, and that is an important thing to remember as we get deeper into our presentation today. So, 16 years for this Company to reach \$1 billion in sales, eight years to \$2 billion, two more years to \$3 billion, that's pretty fantastic growth rates, and that's being powered by many of these new business initiatives that we are sharing market-to-market across.

Top line growth, as you can see, has been aggressive. Expanding margins in this Company is one of our goals, it's absolutely a principle and a goal in this Company that we live with every day, I drive Rich crazy with this. Greg and I have got a goal of much higher than what we told you guys, because we are going to be conservative and only deliver to the numbers we promise you, but that goal that we have internally in our minds is much higher than what we are broadcasting.

Free cash flow, it continues to grow inside our company. The balance sheet, we have delivered a cleaner balance sheet every single year inside this Company, and we have accelerated returns to shareholders as we said early through dividend and purchase -- repurchase of shares.

Confidence in our company. One of my main job is to build confidence about our Company in what we do, our products, our business opportunity, our brand, and our image, that's what I do. I am the -- Greg is a much better business mind than I am, so is Rich. I am the head cheerleader for this Company. I am the one who sits up in front of the distributors who drive them to say, look, you have a great opportunity here, you are living in the mega trends of the world.

As we bring people like David Heber and Dr. Lou Ignarro, Nobel price winner, we bring these great minds from UCLA to join us, to give them confidence in these products, to make sure that they understand that the global mega trends in front of them are very real.

Dr. Ignarro has basically started the world on the track of nitric oxide, has made the world understand that a healthy blood flow is a healthy body. And we are the first company to come out with a nitric oxide product in the marketplace, it was laughed at initially and now it is copied. It is a very interesting trend that we are in there.

That is confidence, that gives our distributors a ton of confidence in the product, in our science, you saw our science center in here today, we have a relationship with the University of Mississippi, we will talk a little bit more about that, with UCLA, we are doing clinicals throughout the world, this is all product confidence. This is [the delivery] to the distributors substantiation for the claims we make that differentiates us among companies of our type in this world. We are not selling anything that isn't substantiated, we are building confidence in our product.

Confidence in our business opportunity, it's distributors who succeed, it is that simple. Those distributors you saw this morning are succeeding with these Nutrition Clubs. They are becoming part of the culture of success of Herbalife. We put them on stage, we make sure people hear their stories, understand the way that they are going about their business with high integrity, with building an opportunity with a culture for success and they are confident everyday in that business opportunity; how they build it, what they do, how they recruit, retail, and retain distributors.

Confidence in our brand. You see our brand growing around the world. You see David Beckham, I would say. They called Barb the other day and Monday I wasn't feeling too good, so went home a little early to get some sleep to prepare for you guys, sleep a day early. But I flipped the TV on and there is David Beckham on in Australia with this Herbalife Jersey, and some kids crying in Herbalife [jerseys].

I thought, oh my god, I don't know what's happened, but he missed some kids he was supposed to see who were cancer patients, who were there waiting to get an autograph from David Beckham, and it was the press who of course was doing their thing. Is this negative or is it positive, and I am sitting there looking at it and I am thinking of the old Errol Flynn line, hey good news or bad news, spell my name correctly, out there and so our name spelled correctly.

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It's Herbalife on there, he goes and he signs the kids jerseys later, he meets with them, it is all a good news, feel good story, but this is in Australia and it is making the news in the United States, as well as throughout Asia. Our brands expanding, it is exploding, the opportunity that we built around it.

We're giving distributors tools and mechanisms to reach out in their marketplace and become marketing tools for this brand every single day through local events, whether it is a music festival or there is a swim meet, or it is a triathlon. I know some of you in this room have competed in Herbalife wear in triathlons, and you will see more and more of that as we build this brand on a global basis. It is very, very exciting.

Confidence in our image is all about the good things that our distributors in our company is doing on a daily basis to go out there in the marketplace through their goodwill and their good acts. I could go on and give you a list, but I see Rich doing this over here like I am running out of time already, so, I will go fast here. So. our image is growing through the good acts of our distributors in our company through our Herbalife Family Foundation.

Confidence in our products, we already talked about this. Our products fall in a large growing global category. Weight management is a \$33 billion category projected to grow 7% driven by the global trends in obesity. When I heard this morning is 7% is probably conservative, 75% of Americans in ten years will be overweight, very sad. Our weight management business is nearly \$1 billion in sales and growing at plus 12% a year.

Targeted nutrition is a \$33 billion category, projected to grow 7% driven by anti-aging. Our Targeted Nutrition is growing 17% year-to-date. Energy & fitness is an important category for Herbalife brands as these products reinforce our commitment to a healthy active lifestyle. This category is projected to grow 52% and our business is growing 16%, so we have got some room there.

Personal category -- or Personal Care is obviously a tremendous category, huge category, and we see continued opportunity to complement our inner nutrition line. And with the application of vitamins and nutrients to the skin, our skin care line is about vitamin A, C and E, we call it ACE for your face. And it is a great topical application of vitamins.

We continue to encourage regions to identify products that can perform well in their respective markets. Some examples include outer care in Brazil, which I mentioned to you, tooth paste in China, skin whitening serum in Asia and others, and these products, if you look around the room today, they are on display in the room and you can see some of our localization. Our product portfolio is built to fight the mega trends of obesity and anti-aging.

I think we have driven this topic into the ground, but as you can see, that doesn't take one glancing at the major media of the world to be not aware of what's going on out here. It is unbelievable, there is articles written every day, there is something on every news cast, there are specials.

And I watched on ABC, Good Morning America, the other morning this guy lost 40, 50 pounds and he was going on to sound like a Herbalife testimony and he will say, well, I'm off my diabetes drugs, I'm off my arthritis drugs, and I am like duh, you lost 60 pounds and you are healthier, and that is the basic summation of this Company; you lose weight, you get healthier.

Let's go to our business opportunity, confidence, again in our business opportunity, we have a strong compensation system. One of the facts that is often misunderstood about our compensation system is the distributors make money day one on the retail margin of the product. You saw in those Nutrition Clubs today, they are making 100% retail margin every single day on those products. This portion represents \$1.5 billion of our distributor allowances, that's the retail margin.

We pay 15% royalty override, which is common in many multi-level marketing plans, a 7% production bonus, this is unique to Herbalife, it's something that Mark instilled in this Company in the late '90s in order to re-motivate the staff to get the sales group back out there. It is a break-away aspect, you will hear about the term break-away in multi-level marketing.

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And then, we have what we call the 1% Mark Hughes Bonus, and this is a discretionary management bonus plan. This drives distributor attitudes, this drives distributor performance. Last year, we gave away \$30 million in this, so our top distributor got \$1.8 million on stage in front of other distributors, further to motivate and give them confidence in the business opportunity. It's a very moving evening, I think some of you were there for that. This makes up \$675 million in royalty overrides in our company.

Vitality of our plan is that we see growth across all levels within the marketing plans, from Supervisors to Chairman's Club. This week alone, I have done 15 first cut price -- or third cut pricing call, that doesn't mean anything to you, that is local language.

Third cut means they are in their third month of qualifying to reach the President's Team, which is that level right here, just before Chairman's Club, means they have a very good sized organization and are earning in triple-digit income mostly around the world. And these folks -- I did 15 of these and some of these people were in this Company less than four year, it's amazing.

So, new into the Company, in four years reaching almost triple-digit income, I don't want to say that is consistent, because it is not true in every case, but it is largely true that they are in the triple-digit income level. Some of these people made \$50 a month five years ago, six years ago.

This is a world that's unknown to them, this is a world that hard work, a great product, a great mega trend, a business opportunity built for them and changed their life. So, the vitality of our plan is evidence of the growth opportunity that continues to exist, and the real opportunity for an individual distributor signing up today that in four years, to have a great opportunity in this Company.

It's not just four years, some of those distributors were here seven, ten, 13, 15 years, but the amazing thing is when I hear the stories about the folks who have been here four and five years.

We are transparent with our earnings potential among supervisors. The staff on this page which is the average gross compensation of U.S. supervisors is a public document, it is available on our website and is part of our introductory business pack that all new distributors receive. So, every new distributor in this Company knows exactly where they stand and what their opportunity is inside the Company.

These average earnings reflect not only the compensation from royalty introduction bonus, it does not include the \$1.5 billion paid out against their retail margins, their discounts seen here, so that's just something that we need to remember and think about in here when you hear certain pundits take shots at our company.

Confidence in our brand. This is a brand that is growing, I mentioned it before. Beckham has obviously then a huge advantage for us, he is now traveling the world, they were up in Canada last week, Australia, they are in another meet somewhere in Asia, I can't remember where it is in the next couple of weeks. But, this is a growing opportunity for us. Soccer is the number one sport outside the United States.

In the world, it has got a fan base in the U.S., that's growing -- any of you have been to any of these Galaxy games down here, it is mayhem, they've gone from the average attendance of like 12,000 or 13,000, to somewhere around 24,000 to 25,000. Down here, it is a great family sports, a great time of entertainment and it is great for our brand, because it touches the distributors that we have and touches their lives.

Let's talk about image and integrity, and I think this is important for us and we are going to -- then we will come to some more of the business discussion. Today's business world operating with complete integrity is not a nice way to be, it is the only way to be. It is the only way to be, and it is one of the things that I believe this management team has added to our Company, I think the integrity was here, I think we reinforced it and we built upon it, and we made it a focal point in every single thing we do.

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We have invested in staff and other resources to strengthen our internal controls policies and procedures. We have a corporate whistleblower hotline, which among other things handles complaints by and against our distributors, and we deal with that every single month in this Company.

The number of incoming complaints in the hotline is very low, but we deal with them all every single month. Complaints are investigated by our ethics and business practice staff, they are well trained this Company -- this group has been around for a long time in this Company. It's not always the most popular thing we do, but it is necessary to protect the long term business interest of this Company and of our distributors who do things right.

We review these quarterly at our audit committee, some complaints come from other sources, they are all carefully acted and -- they are all carefully investigated and acted upon, excuse me. We are constantly evaluating and as appropriate strengthening our rules of conduct in this Company. Our distributors are independent business people, but they must operate within the guardrails we established.

Some key rules and policies that you should know about, and I am going to read these. We have a ten customer rule. To earn, supervisors -- and that means to earn royalties, supervisors are required to sell at least ten retail customers each month. They must certify in writing that they have complied with this rule. 70% rule, to earn supervisors are required to retail 70% of their total products purchased in a given month.

They must certify in writing that they have complied. So 70% -- if I purchase \$5,000 worth of goods, \$3,500 of those must be retailed. The 10/70 audit, we audit 10/70 certifications for three separate purposes. Random audits, and that's the ten rule and the 70%, random audits for earning eligibility of supervisors, ethics and business practice investigations including audits, [pursuance] of complaints or suspensions about specific sales volume, qualification audits prior to improving individuals advancing to the higher levels in the market plan.

So, all these new [price] team members that I had phone calls with this week, they are being audited and is part of the standard course of the Company, they don't love it, but it is standard, and we make sure that the business that they are doing is legitimate and operates at the highest level of integrity.

The business method. Any business method must be registered with the Company, they must be reviewed by confident multi-level council, they must make sure that they engage on these. Business method sellers, must show potential buyers in strongly worded disclosure statements prior to consuming a sale.

We want people to understand what they are buying into in this Company. Business method sellers must buyback intangible items within 180 days including shipping and handling. So, somebody has 180 days to get out of any plan that they are in, that's pretty good. I don't know where you can get in or out of a plan like that almost anywhere.

Business method -- excuse me, products guarantee. Distributors are required to give full refunds within 30 days of getting product purchase. Distributors are required to give full refund in 30 days. Buyback policy. We give 90% refund on resalable items within one year. So, the distributor has up to one year to return 90% of their goods to us.

No profit on IBPs, we do not pay distributors to recruit and they cannot profit on the sale of a starter kit in this Company, they don't sell franchises, they don't sell licenses, they sell starter kits, but they don't profit from them. We have a worldwide ethics and business practice group that monitors distributor activity, and responds forcibly to questionable business practices.

Again, this is the hand that is not always loved, but it is the hand that is necessary. We have a worldwide internal audit staff that reports directly to the audit committee, which itself is part of the Board of Directors. We have been SOX complaint for each year we have been public. We are SEC, NYSE, FDA, FTC regulated. People say we are unregulated and I beg to differ. Day in and day out, we deal with regulations.

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So, with those as my opening comments, and with that, what I would like to do is turn this over to a gentlemen that we are very proud he is part of our Company, his name is Steve Henig. And Steve, I am going to ask you to come up, introduce you on the way up. Steve has been in the food science, nutrition science business for his whole career.

He has been part of many great companies, we are honored to have Steve here. When I recruited and brought Steve into the Company, I said, look, you like I am you in here to help me. Fix what you got and take us to the future. And he has done an admirable job of both, so let me introduce to you PhD, Dr. Steve Henig. Thank

Steve Henig - Herbalife Limited - Chief Scientific Officer

Thanks, Michael. Hey, great to be with you. Good morning to the folks here, and good afternoon to whoever is on the east coast. And what I will do is I will take you through our products, I will drill down a little bit and Michael has covered some of it. And so, let me start with our product aspiration.

Next slide, is we have set a high bar for our vision and mission, we aspire to be the premier nutrition Company of the world; quite an ambitious goal, but we intend to get there. Also, we want to have a lifetime commitment of distributors and customers, Herbalife for Life. So, we use that lately in all of our events.

And my observation having been here for two and a half years is the remarkable degree of commitment of our distributors and customers to this Company. Surely, a lifetime commitment committed to the product, to the business and it is just a tremendous strength that we have. In terms of the specific mission that we have set for ourselves is to -- I (inaudible) is to provide balanced nutrition, very important, balanced nutrition, personalized because that's the unique point of differentiation for a healthy active lifestyle. That's what we do, this is what the products do.

In term of resources, to create the kind of company we aspire to be, you need four things in my mind; great people, outstanding people; resources, physical resources, laboratory access to good ingredients; you need to have processes; and you need to execute with excellence. And in a second, I will talk about how we do it, but we are just blessed number one to have outstanding people.

You have seen some of them in this [tour of the lab], you have seen to my left some of the greatest minds in nutrition in the entire world. And so, we are just blessed to have great people, we are bonding together to work as a high performance team. Michael mentioned the key trends that drive us. I'm not going to be repetitious, but those are really the cornerstones to our product strategy.

So, our product strategy relies on those three trends, obesity, anti-aging, and healthy living. For example, the obesity more quantitative look at this chart that basically is scary, on top is the U.S. and you can see that from say 2000, if you look into 2010, over 35% of the population is bound to be obese, not just overweight, two thirds overweight. Not a good trend, but we have trying to do -- we are doing something about reversing that.

The second trend is that of an aging population that is very sophisticated looking for ways to stay healthy as we all age. And if you look at the red bars, this is where we stand in 2005 roughly today is the percent of people over 65. And looking forward, more and more people are going to break into that, looking to stay healthy, to stay active. And we believe that our product categories -- our product just cater right to that. So, we have the foundation to grow, because we work with those trends that are embedded in our society.

Let me now drill down and talk more about our products. Michael already teed up the four categories, so what I would like to do is quickly scan through and present three of the unique selling propositions from some of our key products. So, as you look at weight management in terms of core products, we have Formula 1. So, I will give you like three bullets relating to each product.

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Why is Formula 1 such a good healthy meal, not just to lose weight but to maintain your weight, the right weight? And it contains 18 grams of protein, high quality protein, I should say, and when you mix it with eight ounces of soy or milk, you basically get 18 grams of protein, it is contemplated to about 200 calories.

And as you know, to lose weight, to maintain your weight, it is calories in, calories out, simple equation, never fails. How to -- the discipline to do it, but Formula 1 provides that good balanced nutrition, it is packed with essential vitamins and minerals, it's got three grams of fiber is low in fat, also designed in a way that the micro nutrients are in the right balance, it is right percent of calories coming from [protein], which is a key to [society] and controlling appetite as you go through weight loss as well as you maintain your weight. So, it is a great foundation product for us.

Formula 2 provide essential nutrients for overall vitality and help you get the nutrients you need as you go through weight loss and as you maintain your weight. Cell Activator with the [Pycnogenol] enhances the absorption of those vitamins and minerals. So, those three products essentially are the core to our program. That is what's constant with our healthy [meal].

Moving on to Targeted Nutrition, we have recently introduced a line of kids products, we are very proud of. It is designed for kids in the age bracket of four to 14, draws in the same kind of logic and principle for Formula 1, except it is built for kids of that age. So, instead of nine grams of protein in the product, we have six plus the eight ounces of milk, nine -- about 15 grams of protein.

The unique selling proposition, it is about half the sugar in other typical products that you will see in the marketplace for kids, also packed with the right nutrients in it. And so, we believe it's a unique product, recently introduced in our Extravaganza in Dallas, it's got no artificial colors or flavors or sweetness for that matter, and kids love the taste. Some of you going through the lab, you have seen how we examine that in our [sensory] lab, it's a good tasting product.

In terms of cardio health, I would defer that to Dr. Lou Ignarro, who will talk about it a little later, but we have a wonderful range of products from Herbalifeline to Niteworks to Tri-Shield. Digestive, we have a nice range of digestive products, aloe and fiber products. We are in the process of adding and upgrading fibrous products. [Be] featured in 2008, as Greg will talk about, we're going to launch some of those new products in the digestive area.

Shifting to energy and fitness, we have introduced a couple of years ago Liftoff, [it's been] very success so far, it's a energy drink ginseng and ginkgo in it here in the U.S. In other countries, slightly different ingredients, it has been very successful. You have seen the [fizzy] tablets right in front of you.

This year also in Dallas, we have introduced H3O, which is a hydration drink, again unique because it is not only quenching your thirst, but it provides the right balance of electrolytes, provides antioxidants for cell protection as people exercise, and it has got a unique combination of carbohydrates for slow release of energy, very low in calories. That is our energy and fitness.

And as Michael mentioned, in our skin care, outer nutrition, our two leading brands right now are NouriFusion with A, C and E, and Skin Activator, collagen-building glucosamine in it, which improve appearance and hydrates the skin and firm it up. So, kind of a quick description of our products and you have seen the lab where we develop them.

Let me switch now to the science program, and as you have seen, we have invested in our own laboratory and this is very important, that investment is so important because it allows us to do things in a better way much faster in taking control of our own formula. We are now in a position to be more innovative, to specify the kind of ingredients that go into our products and to execute its fee. So, over the last couple of years, we have really have improved as a team our ability to bring products to the marketplace.

Our Scientific Affairs Group has started and strengthened a botanical evaluation program, testing all key ingredients -- so the product ingredients in our products testing it for purity, for key ingredient safety and efficacy. Another important thing that this group does is claim substantiation. We have scientific dossiers, scientific white papers, if you will, behind every product.

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And so, when you walk through this group, you can see the binders with the scientific dossiers, obviously it is online as well, and this basically provides scientific substantiation for all of our products. Besides the internal resources that we have, we are blessed with outstanding external resources. UCLA, under the direction of David Heber, the clinical nutrition lab there, the molecular biology lab working very closely with us, supporting us in what we do.

They obviously do more of the basic science rather than product development, but just tremendous add-on to our program. We have recently signed an agreement with the University of Mississippi, whereby they have possibly one of the best botanical program in the entire world, heavy investment, Senator Thad Cochran is head -- support the state of Mississippi in that particularly University to build that up, and the head of our science Dr. Ezra Bejar actually is a graduate of that university, so that is a recent addition to our resources.

Another thing that we have started to do about three years ago, [David did say], was to back our products and our claims up with clinical studies. Prior to that, the Company relied primarily on studies done by others to substantiate the efficacy of our products. We have decided that we are going to do selective clinical studies ourselves.

And so, we have completed some, you can see the list, Niteworks at UCLA was completed basically showing that you can improve the threshold (inaudible) as you consume Niteworks, very important for them. And if any of you run a marathon, half marathon, biked a long time, you know when the anaerobic lactic acid takes a hold of you, it is hard to continue and this can defer that, so good positive outcome.

Another study completed at UCLA was done on our Formula 1 and weight loss, proving that our way of weight loss, i.e., lose weight the right way, lose your fat, retain your muscle, lean body weight works, and that study has proven that. Most recently, we completed a clinical study in Germany done in an outstanding fashion, done in a highly disciplined manner, 100 people recruited for that study, 50 is the control, 50 is the intervention group, and the results are just wonderful.

It is in the process of being published, at which point obviously you can -- we can all read that publication, but I can just give you a glimpse, a peak under that tent that the result is absolutely spectacular, demonstrating that using our Formula 1, Formula 2 and the core nutrition the right way, you can actually lose more weight in a better way than taking some of the medications others prescribe for weight loss. So, we can't wait to have this study be published, and then you can see that we have committed to running other clinical studies.

Let me now shift to quality and regulatory, and Michael has touched upon that, that in this day and age of highly regulatory, if you will, sensitivity and ministries of health around the world tightening up the screws on the pharma industry, on the dietary supplement industry, we are well positioned to completing that all as you have seen, we have made the investment.

So, we have upgraded all of our quality systems, policies, procedures, our auditing capability, we have included our testing capability, we pick up randomly products, we test them for labor compliance, we test the ingredients, we are using our own internal labs that you have seen, we are using UCLA, the University of Mississippi will work us on specific [actives] and so the testing programs has been upgraded.

As you know, we use a lot of external suppliers and we have a very robust auditing program. We send our auditors having an audit manual and they audit them on a regular basis. And actually, we have developed a scoring system. So, we have score card for those audits.

So, that's very helpful to just make sure that we stand up to the high standards that we have established. And recently, we have also introduced a new database for our specific patients that is highly interactive, meaning we input that and we can communicate instantaneously with our vendors and dialog back and forth. So that's really a [great assist] and will serve us well in the future. So, upgrades to the quality system.

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And the last piece in that puzzle is global licensing. Again, it's -- for us, it is a very, very important activity operating in 65 countries. As you can imagine, tremendous complexity in maintaining product licensing across 65 markets, and frankly, it is a barrier to entry in some countries, because of regulation.

But, we are blessed to have a very skilled group there, who have diverse skill set to handle multiple countries, multiple languages, they have built very strong relationship with regulatory agencies, and we have put some licensing resources in the marketplace.

So, we have regionalized their growth. We now have a licensing group in Europe, [added] Brazil and other countries, as well as a group here that does primarily the global kind of strategic thinking and licensing across the board and specific activities within the regions. So, hopefully, in those few minutes I have given you a good kind of glimpse into how we do product development, science, regulatory licensing, and so forth.

It is all about having a strong team as I suggested, and I just want to introduce now our team members, and they will take their specific areas of expertise and talk to you about what they do and how they support us. So, we will start with my colleague here to my left, Dr. David Heber, again a professor at UCLA, head of the clinical nutrition, is running obesity program, [I guess] one of the best in the country, for the last 30 years and truly a world-renown expert, a pleasure to work with him.

So, David?

David Heber - Herbalife Limited - Chairman, Nutrition & Scientific Advisory Boards, United States

Okay, thank you. It is my pleasure to be here today, and I just want to thank Steve. And Steve and I have been colleagues as he mentioned. I have been involved in the field of medical nutrition for the last 30 years, as the Founding Chief of the Division of Clinical Nutrition at UCLA and the Founding Director of the Center for Human Nutrition there in 1996.

But, I can honestly say that my experience in the industry working with Steve in probably four different companies that he has been involved with in the last 15 years, that this is the most exciting challenge that I have been involved in my professional career. Herbalife is a unique company because of the global challenge of obesity, which Steve just reviewed with you. And some of you may not know this, but in the country of Vietnam, 20% of the population is obese, and Herbalife is in Vietnam.

Now, the opportunity to take a message about how to treat obesity, which as Steve said, calories in and calories out, very simple message, but to take that globally is something that no single physician can do, there aren't enough airlines and enough days to visit all of these countries. So, as a result, it dawned on me after consulting with the Company for a period of time, that what was needed was a worldwide nutrition advisory board. And in thinking about that, and speaking with Greg and Michael about it, we came up with a very good role for the nutrition advisory board and how to make this the best in class.

If you look in this industry and you look on websites, you will find many people who have scientific advisors. Unfortunately, you won't any one that has a Nobel price winner like my colleague, Dr. Lou Ignarro. You will not find in many of those even credible scientists or doctors, but on the Herbalife nutrition advisory board, we have very strict requirements for membership and a very defined role for each of those people.

First of all, what do they do? The nutrition advisors actually represent the Company in local markets throughout the world. They were closely with the Company's country managers and they train the distributors in our product messaging, which is unified around the world.

Dr. Luigi Gratton who you will meet in a few moments is also intimately involved in training supervisors and distributors throughout the world in consistent product messaging. It is one of the most important things that we do. Our products start with good science, but if the product messaging is not consistent throughout the world, then that falls down.

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And unlike products that are sold over the counter, these products come with, I like to call an agent of change, which is the Herbalife distributor who educates the customer, calls the customer back and follows up on what they are doing, and I would like to say, that here in Herbalife, we have over 1.5 million agents of change in 65 countries.

They also service as local scientific and nutritional experts with regard to our corporate communications group headed by Barbara Henderson, and each of them have their four specific requirements. Number one, they must be affiliated with a university, and each one of our advisors is affiliated with a university.

They cannot be a distributor or be married to a distributor, and we have some interesting people who are quite renowned physicians around the world, but they were disqualified for being on [the] nutrition advisory board because they happen to married to an Herbalife distributor. They also must have a good rapport with the distributors in terms being able to train distributors.

Not all doctors are able to speak well from a training standpoint, and they must be knowledgeable in the fields of obesity and weight management, heart health or sports medicine. And I would just like to show you -- the next slide which is a picture of a group of advisors. We have now close to 20 nutrition advisory board members throughout the world.

They all fulfill these criteria, but on the next slide, I would just like to highlight four of these. On the first red circle, you will notice Dr. Lou Ignarro, who you will be meeting personally because he is here with us today. Dr. Ignarro, winner of the 1998 Nobel Prize in Medicine and Physiology. But, more importantly, Lou is at the cutting edge of heart health today, which is health of the endothelial cell.

These are the cells that line the blood vessels. Our understanding of heart disease has evolved from the 1980s where we thought it was all about cholesterol and cholesterol clogging the arteries, to where we now understand that your blood vessels in your body are living cells, and that Dr. Ignarro work was absolutely with absolutely seminal in moving the field ahead, and it is linked to the areas of obesity and inflammation and the other things that we do.

Additionally now, Marion Flechtner-Mors in the second row down, Marion was a fellow in my laboratory at UCLA for two years, she is now affiliated with the University of Hohenheim in Germany, where she is on the faculty and does research at University of Ulm in Germany. Marion and I have been together in Germany a number of times now, and she is an excellent trainer and really a person who bonds wells with the distributors.

The next person I would like to point out is Rocio Medina, I point her out because of course Mexico is one of our most important countries, and Rocio is affiliated with the University of Monterrey, where she is a professor in their division of clinical nutrition. I met Rocio a few years ago at a obesity conference where I spoke in Mexico, and she has now been training with Dr. Luigi Gratton just this last week in Mexico and is an outstanding representative of the Company.

And then, finally, I would like to highlight Dr. Ralph Rogers from the University of Surrey in the United Kingdom. Dr. Rogers is an MD, PhD, and the reason I want to highlight him is he is a representative of a group of our young NAB members, who are not only expert in nutrition and weight management, but also the emerging field of sports medicine.

And you will notice the Herbalife jerseys behind me, this representation of sports and healthy active life style are one of the three pillars, balanced nutrition, personalized for a healthy active lifestyle. And a representative of that healthy active lifestyle you'll meet in a few moments is Dr. Luigi Gratton, who is also a fellow at UCLA in my laboratory for several years.

So, with that, I will turn it back to Steve.

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Steve Henig - Herbalife Limited - Chief Scientific Officer

Thanks, is the mike on? Yes. And a lot has been said about Dr. Lou Ignarro, a Nobel Prize winner, so I would just add that he is a trailblazer in a true sense on heart attack. So, it's all yours, Lou.

Lou Ignarro - Herbalife Limited - Member, Scientific Advisory Board

Thank you. I think I will do something different sit in my director's chair or doctor's chair.

Steve Henig - Herbalife Limited - Chief Scientific Officer

You are allowed.

Lou Ignarro - Herbalife Limited - Member, Scientific Advisory Board

I just ran a marathon seven weeks ago in St. George, and I am going to run the Tucson Marathon on Sunday, and with a lot of cycling, Michael, in between. So, I have to rest --

Unidentified Company Representative

(inaudible - microphone inaccessible).

Lou Ignarro - Herbalife Limited - Member, Scientific Advisory Board

I have got to rest my legs. I usually do pretty well not in the overall rating, but in my age group, because I am in the 66 to 70 group. So, I will be 67 years old in a few months, and I have to attribute all of this to Herbalife. Let me just explain, I don't have -- actually, it's very true or at least it's a great time coincidence here.

I need to make -- those of you who know me know I would like to talk for no less than 50 minutes, but I have five minutes or less. Well, I spent the first I guess 40 years, that's frightening, 40 years of my life doing basic research, working very hard to make a difference, and my interest has always been heart health.

What causes heart attacks? What causes stroke? Why do heavy people get more heart attacks than those who -- who are not obese? Why do people with diabetes get -- have such a high prevalence of heart attacks? How come people who lead a sedentary lifestyle even if they are thin get more heart attacks? What is going on here? So then, ten to 40 years of research, which resulted in a number of discoveries.

I am not here to talk about my discoveries, but I want to point out one, we show that our bodies make a unique molecule called nitric oxide, not nitrous oxide, it's not laughing gas that you get in the dentist office, that's nitric oxide, and if you were to inhale that, you wouldn't be laughing, I guarantee you. So, nitric oxide is very important to protect the cardiovascular system against disease.

It lowers the blood pressure, it prevents cholesterol plaques from depositing, it can prevent metabolic syndrome in diabetes, it can prevent strokes, it can prevent heart attacks. That is not the result only of my work, it is the result of over 10,000 laboratories doing this work, so it is important, it is real and it got the attention of the Nobel Committee in 1998.

So, after spending 40 years doing this research, I felt as scientists, we know what's going on, we understand about nitric oxide, we know how to deal with our health. But, how do we deal with 99.999% of all the other people out there, who don't even pay

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attention to scientists, because usually we don't explain anything in a way that they can't understand what the hell we are talking about?

And so, I decided to maybe start my own company, but I didn't have enough money. So, I started looking around and I spoke to companies, and finally I came upon Herbalife. And I realized that we shared exactly the same views, and this was exactly at the time that the Company underwent new management.

I got a chance to meet with Michael Johnson and I realized, even before I spoke with him, that he was obviously an athlete, and we shared the same vision. The vision we shared was so simple it was that -- most of the diseases that we suffer from are lifestyle diseases and they are.

More people die of cardiovascular disease than any other disease, that's true for both men and women and its throughout the world, and in about ten years, it will be the number one cause of disease of death in Asia, believe it or not, rather than cancer, and this is all due to poor health -- poor lifestyle, poor diet, lack of exercise and so on.

So, we thought that, well, by advocating a change in lifestyle, by eating a healthier diet, by engaging in an exercise -- even a moderate exercise program, by supplementing all of these things with healthy dietary supplements to reinforce the production of nitric oxide, to reinforce cellular nutrition and so on and so forth, we just might be able to change people's lifestyles or take advantage of their change in lifestyle and cut back on death due to cardiovascular disease.

And so, I felt honored and proud to join Herbalife, and as every month goes by, we develop more and more products and I see how we talk to distributors and what the distributors say to us, I can tell you, I am very honored and very proud to be associated with this Company.

Now, as a Nobel laureate, it's been a very difficult task for me because you see I am Italian, I have Italian genes, I usually say what's on my mind. I never think about whatever it is I am going to say, but I am in a position now I have to be careful what I say, when I say it, who I say it to, who I associate with.

But, I can tell you, having said all that, this is -- I feel this is one of the greater things I have done with my career. I am going to spend the last part of my career now working with this incredible company to try to spread the good word that a change in lifestyle is really all you need to live longer, it's the best possible way to protect against cardiovascular disease, and to extend aging.

Science is about 10% fact and 90% common sense. And certainly, you must see that what I am talking about is common sense. All right, now, let me talk about some of the products that I have helped Herbalife develop. I had some ideas in 2003, and I talked to several people here and [opposed] to the people I talked to at other companies, the folks at Herbalife were very interested in what I was talking about.

And in record time, Niteworks was developed. This product is really a combination of amino acids, the same amino acid that you get in fishes, in nuts, in meats, but with all the -- without all the other stuff that's present in the food, the mixture of amino acid and a mixture of antioxidants, which has been shown for many years to boost the production of nitric oxide in the body and that's what we want to do.

There are no prescription drugs yet available to do this. There will be, there will be plenty of them in a few years with lots of side effects and \$10 a pill. There will be plenty of them. But, right now, you don't need the prescription drug to do this. We could do this by taking dietary supplements, by engaging in a healthy diet, health diets are rich in unsaturated fats, lower in saturated fats, and filled with antioxidants.

This is what the body does to make nitric oxide. So, we can sort of fuel that system by ingesting more of these healthier components. And also, exercise is good for your health, we have known that for centuries, but nobody has ever understood

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the mechanism. Well, it's very clear now from the work of others, not me but from others that exercise is the body's most important way to stimulate nitric oxide production.

So, if you exercise, you have a healthy diet, you take Niteworks, other dietary supplements, you are going to really boost your nitric oxide production. And if you keep it up there, I think you are going to live a healthier lifestyle.

And then, another product we developed, there have been several, I am just going to focus on this core complex, which is a mixture of things. And I don't want to complicate the issue, but the major ingredient here is really omega 3 fatty acids. These are concentrated from fish oil, ordinary fish oil, also from a special fish -- a crustacean from the Antarctic Ocean called krill oil, which is very rich in a potent omega 3 fatty acid.

It's fortified with antioxidants, which preserve the fish oil. These things are spectacular for heart health, for blood vessel health, and it's strongly advocated by the American Heart Association. So, it's certainly okay to say that there are so many products on the market which contain these kinds of products, omega 3s.

But, this one is unique because it has a unique combination of not just the omega 3 fatty acids but critical antioxidants, critical phytosterols that can all work together to protect and boost the production and action of nitric oxide. Because in my opinion, being a Nobel laureate, I can state whatever opinion I want.

In my opinion, nitric oxide is really the basis, the basis for the protective effects of all of these kinds of substances in the possibility of prolonging cardiovascular health. And so, it's been so much fun working with Herbalife because they are very conducive to my ideas.

We can chat all about the ideas we have, the ideas they have, and the greatest thing to see is the ideas come together as a product, that's not only very colorfully packaged, but also distributors love it and they become very popular. And of course, the long-term goal, what I would like to see if I can live long enough is actually see a reduction in the rate of heart disease in this country and elsewhere.

Instead of that slope going up, it would be so wonderful to see it begin to slow down. I think we can do that, I really think that this Company is in the most unique position to do this, not pharmaceutical companies. Now, I am pharmacologist, I have a PhD in pharmacology, I [work] for a drug company. I love pharmaceutical companies.

We need those kinds of drugs because somebody has to bail us out of the mess that we get ourselves into once we get very sick. You don't need prescription drugs to prevent you from getting sick, you can't take prescription drugs to prevent you from getting sick, you have to change your lifestyle to prevent you from getting sick, and that's what we do at Herbalife.

Steve Henig - Herbalife Limited - Chief Scientific Officer

Thanks very much, Dr. Lou, great. And we are so blessed because a high performance team is based on complementary skill. So, here we have got the complementary skill. There is also an age bracket in the group, as Lou already disclosed, so I want to feature the next team player, clearly in a younger age bracket than some of us, trained differently as a physician, general practitioner, and he is our VP of Medical Affairs and Training, Dr. Luigi Gratton.

And before he comes up, as a trainer to a large group of distributors, you have to have special skill sets. And Dr. Luigi is just blessed, it's just a pleasure to see him train, lecture, and train distributors. It's an experience to see him train 18,000 distributors, whether (inaudible) Dallas. Uniquely talented, wonderful to be with, great team member, Dr. Luigi Gratton. So, he is going to talk to you about what he does.

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Luigi Gratton - Herbalife Limited - VP, Medical Affairs and Education

Thank you, Steve. Wow, this takes me back to my days at UCLA, where I ran track for three years, and when you run track, there is usually four folks in the mile relay. And the last anchor leg usually supposed to be the strongest, but in this example, I always feel like just don't drop the baton, that's what I am thinking right now. Don't drop the baton.

Steve Henig - Herbalife Limited - Chief Scientific Officer

Run, baby run.

Luigi Gratton - Herbalife Limited - VP, Medical Affairs and Education

Yes. So, I went to medical school a place called Mount Sinai, New York. And when we start our lectures, which use about 45 minutes the length of this presentation, the doctors always knew that you have to keep it relatively short because you lose your audience by about 30 minutes. So, here I am getting you at the last five minutes. So, I want to try something different, to try and kind of let you guys know what -- the guys and girls know what I do.

I do a lot of product training and I have worked -- I work at ULCA with Dr. David Heber and Dr. Lou Ignarro, and part of my job is to take the complicated science that these gentlemen do in their laboratories and try and make it real user-friendly, so that distributors can duplicate the message. And we try and do some creative things, but I want to sort of take a moment to give you an idea of how the nutrition and supplement industry has changed.

27 years ago, when our company was first started, people would give what's the called a testimonial and they still do. And generally, the testimonial went something like this. It would be like, Hi, Lou, you look fantastic. What have you been doing? Well, I am taking these great shakes. I do two shakes a day and a healthy meal. I have lost weight, I have run 20 marathons and my energy is going through the roof. And that's it, that's the testimonial.

Well, great, I want to buy some of that stuff and so the shake is sold. With the explosion of the Internet, with all types of information being out there, now the pitch is a little different. Now, it goes something like this. Lou, you look great. Wow, you look fantastic, what are you doing? Oh, I am taking these great shakes, two shakes a day. My energy is going through the roof.

Great, let me take a look at the shake. Oh, wow, I [notice] this has got soy protein. Is that healthy for me? Wow, soy protein, what do you know about soy protein? Oh, I was on Google earlier, and I was just looking up some information on it, and does it help lower my cholesterol? In fact, it does actually, and you will see a little red heart symbol on here, which allows, which basically FDA allows us to say 25 grams a day of cholesterol -- 25 grams a day of soy lowers your cholesterol.

So, now the pitch is a little bit different in terms of selling to the customer because the customer is a little more sophisticated. So, what we try and do is take all the science that they create at UCLA, that we are doing research, and we make it very user-friendly. We try and help the distributors out with claims and with basic messaging.

Another thing that Dr. Ignarro mentioned, it's nice that we have him on the team, as a Nobel laureate, he will endorse the products with a signature for our heart health line. Dr. Heber developed the ShapeWorks line. So, a lot of our messaging becomes very simple because we can tell them, look, we have the confidence of our Nobel laureate, of our physicians, and our PhDs around the world endorsing or supporting the products. And so, it becomes a little easier.

One of the things that Dr. Heber mentioned earlier with the universal product messaging set, I have been with the Company about three years now, one of the first things that Michael and Greg asked me to do when I came into the Company was develop a universal messaging set so that distributors in the Philippines, distributors in Mexico, and distributors in Italy say the same thing about our shake.

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They are not saying, well, it's going to help me grow in height or it's going to help me run a faster marathon, but you make the similar claims, which the local regulators and governments will allow. So, we create -- we created a template, which all the distributors use, it's basically very easy to use.

It's based on five questions. It's the who, what, when, where, and why of every product. So, what is formula one? What does it do? Why is it important? And the local regulators in Philippines or the lawyers in Mexico will help massage the messaging for us. That's basically what I do. I take the science, we sort of make it very user-friendly, so that the distributors can duplicate the message.

And with that, I will turn it back over to Steve.

Steve Henig - Herbalife Limited - Chief Scientific Officer

Okay, thanks very much. And so, that wraps our session up, and maybe Rich to move on.

Richard Goudis - Herbalife Limited - CFO

Thank you very much, Steve. In the next couple of minutes, we just want to transition, thank you to the doctors. I hope that gives you a better perspective, not only from a science, as Steve started the day, right, it starts with ideation, but all the way through that process how each of the doctors, not only here but also of the NAB play a role whether it's through the ideation process, all the way down to how do we teach our distributors, our independent sales force how to sell the products, how to coach, how to advise. Hope you got a great perspective of that through these four gentlemen.

Now, it's my pleasure to introduce our President and Chief Operating Officer, Greg Probert. Many of you know Greg, many of you have met him and have spent time with him. Those of you who haven't, Greg is the brainiac who runs the day to day of the business.

Greg has a trained finance background, went over to the operations side when he was working for Michael at Buena Vista Home Video business back in Disney. And about a month or so after Michael joined the Company in 2003, Greg joined. So, it's my pleasure to introduce my business partner Greg.

Greg Probert - Herbalife Limited - President and COO

Thanks, Rich and good morning, everybody. Good to see you. It's always hard to follow those doctors because they are an impressive group. What I thought I would do today in about 30 minutes is go through our four key strategies of the Company that you hear me talk about on every quarterly earnings call, and then give you a quick update of each of the seven regions, the P&L centers that we have, really what's happening currently and some of our '08 initiatives for growth in each of those regions.

So, if you really look at -- these are our four key initiatives, one is really a major market focus and it's something we talked about last year when we did our OFG process and that was really to realign the reach of the Company, from low growth markets to high growth markets, to make sure we are penetrating, and that really -- China is one of our big investments over the past couple of years.

We have put about ten of millions of dollars in building infrastructure and hiring employees and launching products. And it has been a bright spot this year, and as we said, really one of our bright future growth, and I will talk about that in a little more detail when we get into the regional presentation.

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One of the other things we are really looking at is developing the Eastern Europe strategy and really penetrating that market. It's a market where you see a lot of our competitors, direct selling experiencing double and triple digit growth. It's been frankly an underperformer for Herbalife and we are going to focus very, very heavily on that.

And when I talk about EMEA, I will talk a little bit more about -- detail about what we are doing there. Brazil, which is one of our top four markets in the world, has flattened out a little bit this year. We have talked about why, the transition of DMOs from more of a recruiting, to more of the balance of three Rs, and we do a lot of focus on Brazil, and as we said in our last earnings call, we expect that to return to growth late in the second half of 2008.

And then really getting into new markets, I think there is a lot of untapped market around the world. We launched a test case in Zambia a few months ago where we went in with three products under a Nutrition Club DMO. But basically, no one has really penetrated Africa, the continent, and there is obviously several hundred million people that need our nutritional products that could use the microeconomic business opportunity. So, again, we are nurturing a small launch in Zambia. This is a test [that's out] and we will report back on that in future quarterly earnings calls.

One of the other areas we look at is getting into new markets. I think David -- Dr. Heber mentioned that we are in Vietnam. David, we are there in spirit, we are there in mind, but we are not quite there yet, and it's going to be one of the markets that we will focus on opening next year. We are waiting for the regulations in direct selling to stabilize. Well, our hearts and minds are there.

And David, you are right, there is a lot of people that need our products and we are going to get there as quickly as possible. Steve and the other doctors talked a lot about our product strategy, really focusing on segmenting the market, and going after consumer needs. We really focus on what are the needs out there. So, the mega trends like Michael talked about, obesity, aging, population of every country in the world is aging.

Japan is in zero population growth, the U.S. baby boomers are getting past that 50 mark now and past the 60 mark, and in greater need of our products. So, again, we will focus on market segmentation. I think I won't go too much into the science, you have heard that from all the doctors, it's really a strong, strong focus in this company on the science behind the products.

And as Steve said, we are doing a lot more clinical, we will be announcing those in the future, we are putting a lot of more R&D money into substantiating the science behind that and also more and more affiliations with doctors and PhDs around the world in top institutes.

Distributor strategy, again, what we continuously talk about is segmentation of the market in support of DMOs that go after market segmentation. So, if you looked at one of the reason that Mexico grew so much was because of Nutrition Club DMO and the ability through that single serving daily purchasing pattern of the product to penetrate the lower socioeconomic segment of Mexico.

And again, that's 60 million people of the 110 million that live in Mexico. And before that DMO, we couldn't penetrate that market, no one could afford to buy \$200 in a monthly purchase. So, by breaking that down into a daily purchase pattern, we were able to penetrate the segment that we have never penetrated before, and that's really a lot of the focus.

If you look at our product development, our toolkits, our infrastructure investment, it's really all geared towards supporting distributors, daily methods of operation in penetrating specific market segments. So, Steve talked about in the U.S., the kids line, really going after stay-at-home moms who are -- have natural Nutrition Clubs or talking to other moms, they want good nutrition for their kids.

It's hard to find something after school that -- you are a father of three, it's a great product. It's great in the morning, it's great as an after-school snack, on weekends. So, again, we think that will not only be a great consumer driven product, but also drive distributor acceptance and penetrate that from a distributor's standpoint and recruiting standpoint as well.

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Building more business tools, so if you look up here, there is two. BizWorks, which we talk a lot about, that's really a distributor management system. Think of a consumer database. This is for distributors. So, they can look at their downline, they can see who is performing, who is not, and it really helps them focus their energies and their times to focusing on distributors that are driving the business and actually probably more importantly, distributors that aren't.

So, they can wake those distributors up and they can talk to them and see why aren't they growing the business. You don't understand the product, then you need more product training. You don't understand the marketing plan. You don't understand how to recruit, you don't understand the new DMO, whatever it is, this allows our downline. And they never really have the visibility into their business, and so we launched BizWorks a few years ago and we will continue to enhance that. We will roll out a new version of that, Q2 of next year.

And really, as we talk about the three Rs, we are always focusing on the three Rs, recruiting, retailing, and retention. And infrastructure, one of the most important things that you will see us spend money on next year is on building the infrastructure to support the double digit growth in this business. I already talked about Oracle, rolling Oracle out around the world. We need that for two reasons.

One is because we are growing, we need more robust infrastructure and two, we need better ability to data mine and get visibility into our business. It's something that Mike and I are continuously asking Rich in the finance and the analyst side his visibility into our business. So again, that investment is growth driven and to increase visibility. And it's something Michael talked about, our ethics hotline, adverse events on our products, hotline is there, and worldwide EBP.

As Michael said, the purpose of that is really to ensure compliance with regulations and laws, make sure our distributors are making correct product claims, correct business opportunity claims, and that is really to ensure that our growth is based on a solid foundation of retailing, product consumption, and ethical business practice. It's great grow, but more important to grow on a solid foundation.

Now, let's talk a little bit about each of the regions. So, North America has -- let me explain these four slides, see they are in your decks. One is just three year trends on volume points -- total volume points and percent growth year-over-year. The '07 number is obviously only nine months. So, even though we are growing, it looks smaller than '06. Same thing for new supervisors, one of the lead indicators of this business.

Growth is our ability to attract new distributors into the business and to retain existing distributors. So, one of the things that we release to the Street every quarter is the number of new people coming into the business. And then, the second most important thing is keeping those people in the business.

So, we are just bringing them in, they are going out, it's a hamster on a wheel. So, we really are focused on retention. So, if you look in the U.S. from a couple of years ago, we have almost 500 basis points of improvement. That's huge. If you think about how many distributors we have in the U.S., we are going to keep 5% more of those every year.

That's a lot fewer that we have to bring into the business. Couple that with strong supervisor growth and that's the reason U.S. business ultimately has turned around. If you remember, when Michael come to the Company, the U.S. business was going through a double digit decline. Four years later, we are in double digit growth.

One of the new things, the distributor order stratification is something that we started disclosing last quarter on our quarterly call. With an attempt to take our distributor base, and that's the distributors that are below supervisor level, and stratify them by what we considered discount buyers, so think of Costco in the U.S., where you just -- you pay a fee, come in, and you get a discount from 25% to 42% on your product depending on the amount of purchase.

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And so, we stratify this by discount level, which really tells you, for instance, you come in and you just give me a 25% discount, you are buying product, you are a Costco buyer. As you go up and you get more volume and the order size gets bigger, you are probably starting to build a retail business, and you are already -- probably working towards becoming a supervisor.

So, we did it and really stratified this into three groups. The left is what we call discount, middle is the small retailers, and the right side is people that are really starting to build the business and moving up there, supervisor. And what you see in the U.S. is obviously very strong consumption of the product and see a lot of the distributors are being brought in, they are buying at discount and they are consuming the product, and they are reordering. And this is -- the average order is \$100 or less, so these are -- people are just consuming the product over and over.

27 years in U.S., our oldest market, when distributors or everyone asks us about, well, when do you mature the business? This is obviously our first market, our oldest market, 27 years old, and our fastest -- it's one of our fastest growing markets in the world. So, we are still very underpenetrated. If you look in terms of per capita consumption, we are under two volume points per capita in the U.S. compared to six in Mexico, and over eight in Taiwan.

So, again, we feel that we have a lot of geographic and demographic expansion available in the U.S. Five straight quarters of 20% growth, again very, very strong performance, driven largely by our Latino business. The Latino business is now about 61% of the U.S. business, 46% up.

So, again what you are seeing is lot of the business, DMOs like Nutrition Clubs, and central clubs, I think some of you saw this morning that come from -- that come from Mexico and being embraced all over the U.S., and those are not only in Latino growth, we are seeing a lot of the Anglo distributors are also doing Nutrition Clubs now, St. Louis, back in New Jersey, all over the U.S.

So again, we think that will -- it's a little bit behind the Anglo groups. So, we expect that to drive the non -- the Anglo group and non-Latino segment of the market. One of the most important things that we are going to be doing in the U.S. market, we actually done it two weeks ago is we are going to bifurcate the P&L responsibility for the U.S.

And what that means is we are now going to have a P&L head for Latino business and we are in the process of recruiting that person, and we are going to have a P&L head for the non-Latino business. And the reason we are doing that is they are very different businesses, different DMOs, different consumers, different distributors, obviously different language, different tool kits, different marketing.

And so, what we want is really an experienced Latino business person to bring in a VP to run that business, reporting to Tom Zimmer in the back, raise your hand, Tom who runs all of our North American markets for us, U.S., Canada, Jamaica, and Dominican Republic.

The non-Latino business in the U.S. is being driven primarily by the lead -- Internet lead capture system and we also couple that with sampling. That's been very, very effective in running media, driving people to the website, giving them either a business or a product opportunity following up with sampling.

And the very -- and the good thing is not only it's driving recruiting, but we are seeing very strong retention in that DMO and that's a DMO that's actually being moved out around the world now, and it has been -- if you look in Spain and France, the growing markets, the biggest and fastest growing check in both those countries are through this DMO.

So, again as Michael said, part of the corporate's job is to go around the world and take these best practices and let distributors know, are them with information, and then they will take the DMOs, they will cultivate it, and then launch it in their local markets.

Next -- so what do we do next year in the U.S.? I talked about bifurcating it. On promotions, we will continue -- one of the big things, markets that we are going to penetrate next year is the college market. We think college market is great from a product opportunity.

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I think a lot of college kids would be interested in weight loss and certainly in energy, certainly in the fitness line and target nutrition, and also I think for the business opportunity. I think it's something that they can do part time selling in their door. They can do over the summer. Instead of an internship, perhaps they want to go out and become an Herbalife distributor. We have second and third generations.

One of our top grossing check in the U.S., her daughter is a graduate of USC, she just elected to go into the business and is now moving up to and be a credit team pretty soon. So, again, we think this is a group that we can attack, we have very low penetration and we think we have the right products and the right business opportunities to go after that. So, very strong segment that we hope to penetrate next year.

In terms of products, we will just continue, I am going to -- you can read these on your deck. I think probably one of the most interesting is the digestive line is right now we are really going to rationalize that line and bring it together, I think improve the products and really make it more of a line as opposed to right now, we have about four or five SKUs in there.

And we really want to -- again, if you look at what we are doing is we are trying to create programs as opposed to just SKUs. So, we have ShapeWorks, which is a weight loss program, we have Lou's signature line, which is really a heart health program, and this will really go into digestive health.

Brand, continue to go after Galaxy deal. We have several -- this is our second year in the Galaxy deal. As Michael said, this is really a global deal. We just had a Chairman's Club called the other day, and they are very excited in Australia because they just played a match down there in Sydney and Beckham was very prominent, and this is great for our distributors. So again, the value of this deal is not only in the U.S. business, but internationally, it has a -- not only broadcast internationally, but the Galaxy are going to use -- utilize Beckham to go do a lot of test matches around the world.

One of the other things we will be looking at in the U.S. is in order to penetrate the Latino market and support it, it's to a certain extent a cash and carry business, much like Mexico. So, you are looking at putting sales centers, service -- sort of big pickup centers around the U.S. So currently, we have pickup centers in our LA DC, in Dallas, in Phoenix, and in Memphis of our DC.

We are looking at some of the other large Latino markets, Northern California, probably work at Chicago and probably work in Miami and New York area. And as we do these, we think it will help support that DMO and help it grow. And it's a drag on P&L because we basically charge to pick up the sort of [at least] self liquidating. So, again it's a great way to increase distributor service, allow that cash and carry business to come in and support our fastest growing DMO.

Okay, Mexico, number two market in the world, pretty much neck and neck. I think we talked a lot about Mexico in the past earnings call. If you remember in January, we talked about Mexico going down. We had a sort of four point action plan to get Mexico back. That plan has basically been implemented. We feel very comfortable at our business in Mexico stabilize if you remember. Probably one of that plan was build additional infrastructure. That market has tripled over three years.

We basically got behind the market growth and didn't keep up with it, so we had to build more infrastructure. The good news is, if you look at the markets where we did build that infrastructure, our business is growing. So, it was a good idea, I think it was right analysis. And 40 -- if you look at where those centers are, the business is growing 47%.

Now, some of that is taking business away from the other larger DCs who we think were servicing the business. Where we have lost the business is in primarily in the federal district in Mexico City, where we talked about we had some compliance issues.

So, the second point of the Mexico plan was go out and improve compliance through two things. One is doing a field audit and getting our leadership audit their own club and more importantly through training, training on ethics and training on how to run a club. If you think about it, people were opening clubs at a tremendous rate, and they weren't learning the business, they weren't going to [Herbalife].

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So, part of this was really get them to go out and train -- retrain their downlines. What they did, what are they doing now, you can't do 12 things at once, is they stopped opening new clubs, and that was a conscious decision to stabilize existing business. And we figured that we lost about 10% of our clubs, it's not complaint clubs, people who didn't want to be in the business.

We went from 55 million, 56 million volume points, so of stabilized in the high 40 million, and we have been stable as reported last earnings call. And now, we think we have service centers in place, the infrastructure in place, the training has been done, there is compliance, we will continue to do the compliance audits, we are seeing a higher level of compliance, substantially higher in all those areas.

And now we think it's time for our distributors to go back and focus on opening additional clubs and doing it the right way. I think it's a good lesson learned in our distributor and corporate side of the Company in the sense that high growth is great, but stable growth is better, and I think what we have done now is stabilize the business and create the plateau for the next growth.

And we think we are very, very strong. We did the Mexico extravaganza, another record in terms of attendance and we think coming out of that September extravaganza, we have very strong momentum.

In October, we had volume points up sequentially 6% over September and IDTs, which is the starter kits and it's a good measurement of lot of the clubs, you are buying a starter kit, you are probably opening a club or you are at least recruiting a distributor, they are up 21% sequentially. So, again, we think we see early signs in the metrics of returning to growth in Mexico.

Where are we doing next year? Promotions, one of the big promotions that we launched is really sort of a ten promotion. What we want to do is get ten volume points for penetration per capita in each of the districts of Mexico, and I think as we reported the federal district was the highest penetrated at 20 volume points, on average across the country it's about six. We do about [600 million] volume points with the population of 110 million people. We want to get that up to ten.

We are doing a qualification based on incremental volume. So, again we are selling by distributorship by region. If we get up to that ten points, then we will reward that through money and recognition and promotional items. So again, we think we have the infrastructure to do that, we think we have got the training to do that, and now we are putting some financial money in promotion behind that -- behind those efforts. Everything in Mexico at this point is focused on opening new clubs and penetrating the regions where we have below six and ten penetration.

Product. We are going to launch Kickoff, which is the -- some of you here (inaudible). Okay. Kickoff which is our version of Liftoff for Mexico, so we will be launching that. It's a European formula and so we are launching that very -- next year and very excited. This is one of the products that the Mexican leadership has been asking for.

They think it will serve well in Nutrition Clubs. They go into the Nutrition Club as another type of energy drink and it is also a good takeaway product. As you know, (inaudible), they do the Formula 1 Shake and they do Aloe, and we think this could be incorporated as the fourth SKU and especially as a takeaway SKU in Nutrition Clubs.

Single serving Formula 1, again a product launch around the DMO. One of the big request is, can I buy single serving that -- it uses my second meal away from Nutrition Clubs? So, they don't necessarily come back and a lot of people don't come back twice a day, but for launch or maybe dinner, they want a second serving. They don't want to buy a big, they can -- it's too expensive.

So, we will be launching as the sachets, single serving to Formula 1 that the clubs can then sell as a takeaway item. We think that -- and then what we call sort of must carried H3O and the Kid's Shake. And again, we think the Kid's Shake in the clubs can be very -- because you have been at the clubs, and were there kids in the club in this morning? Young children?

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Unidentified Company Representative

Yes.

Greg Probert - Herbalife Limited - President and COO

And in Mexico, there are lots of kids in the clubs and we want them on the children's product. So again, we want to take that down in the Mexico. And then geographic expansion, basically what we talked about is keep data infrastructure build and roll our work out. So to Brazil, our number three number currently, Taiwan and Brazil, go back and forth every month. Yes, a little bit of an issue in Brazil. The reason, as we talked about, is Brazil is in a transition period.

They are moving from a high recruit country that -- if you look at retention rates, it's one of the lowest retention rates anywhere in the world. And what we want to do is work with leadership and get them into more of a retailing business and more of a retention business and including DMOs, and then we are doing that primarily through two areas.

One is focusing on DMOs that have high retailing and high retention such as central clubs, which will work there a lot better than [in-home] clubs. The Brazilians are not in favor too much of the in-home clubs and they like the central clubs.

I think you saw one this morning, what they call commercial club here in the U.S., and so that's starting to roll out. If you look at people, the leadership and organizations have moved over to that business, they are growing. I think they grew by 6% over the last year. So, that DMO is taking [currently]. The issue is more and more distributors have to, except that DMO and moving that DMO.

Other DMOs are working and it will continue to work. Traditional business is very strong. So, in order to support that, what we are doing is working on new product launches that are very specific to the market and on pricing issues. In Brazil, most of the direct selling is in outer care. I think it's ten times bigger than the direct selling business of nutrition.

And we had our NouriFusion line and we have our traditional lines, but what we did is that we recently launched we call the Soft Green line. And this is the line that is lower price, it's very competitive with some of our other direct selling companies. We launched initially -- this is a hand soap, we are doing body wash, we are doing the bath oil.

So, basically every day items, much lower price, produced locally, faster to market and we are launching three additional SKUs next week. We are down in -- [Mike commented] on the Brazil extravaganza, we have about 12,000 people. And we think this is a great way to penetrate the C and D classes in Brazil. So you will see us do a lot more of that, not only in Brazil, but around the world. And actually, right now, we are looking at taking this from Brazil into some of the other Eastern European markets, where again, our lower price product to compete with some of our competitors is very, very important.

Some of the other -- certain things we are doing in Brazil is, like I said, really focusing on DMOs. We did -- we did a price decrease in October on our outer care lines, and we didn't do on our nutrition part, we really did outer care to compete with some of the other major outer care companies in Brazil, and we will be reporting that next week.

We will probably report on the effect of that in our earnings calls, but early indications are good, that is having an effect -- positive effect, our ability to better penetrate and build our retail business. So, again, those are the things you will see us continue to do, local product development, DMO support and also supporting with price adjustments. And that -- well, it was really driven by the ability of the local currency and we could do that without taking a huge bottom line shift.

Okay, let's move over to EMEA. Again, EMEA has not had -- it's had about three years of slight decline as a region, it's a very complex region made up of 34 different discrete markets, some are going up. There is probably two biggest drags we have had on growth, Germany and Netherlands. So, we are starting to see those stabilize and bringing, get those out of the red.

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I think EMEA will return to growth. But there are a lot of bright spots, like I said. Italy, 12% up; Spain, 26% up; Portugal, 15% up. And probably one of the most encouraging thing is we are starting to see Russia grow. Russia is now 17% up. So, I think if we can get seven of the markets that have been declining at least back to being flat, as you are going to see EMEA return to growth, I think what we said in last earnings call is that we expect EMEA to be back to growth by the middle of next year.

Lot of that I think will depend on getting no -- new DMOs over to Europe. So again, our Nutrition Clubs and central clubs are starting to take up fast. Germany, there is a lot of focus on that, Netherlands, focused on that, bringing over the wellness -- evaluation that will start actually in France, moving that around the different markets.

We have a lot of successful DMOs, the big, big push in Europe to make sure all the markets are doing. And like I said earlier, the sampling and Internet DMO from the U.S. is being successfully implemented in both Spain and Italy to-date and we will move out to other markets.

Pricing. We will do selective price increases in several countries next year. That's something that we regularly do to take our prices up to make sure that. As the market will allow us, we will do that. So, I think you will see some of that [selectively] throughout the year.

Product where Steve's group is working on H3O type of products and isotonic drink product, and also sample packs, we are launching those to support the sampling DMO. One of the others things we are doing in Europe is we are redoing our IBPs, our distributor starter kits, we are adjusting price, and more importantly, we are repackaging the contents of those to match the way the countries are doing business.

So, if you may remember Mexico, we changed the IBP (inaudible) Nutrition Club starter kit because it really matched the way we are doing the business. So, we will be rolling that out in Europe, and along with our better distributor toolkits in there in terms of support material like DVDs and product brochures.

And in terms of promotion, I think we talked about Eastern Europe. We just recently hired a Vice President of Central Europe. She covers Poland, Hungary, Czech-Slovakia Republics and the Balkan, (inaudible) states. And someone came from another direct selling company, basically our top competitor in those markets, we are able (inaudible) and work for us. And she will be developing the very aggressive Eastern European penetration, Central and Eastern European penetration plan and also working with us on maintaining growth in Russia, like I said up 17%.

If we go to South America, again, run be Rob Levy, who Michael introduced earlier; really, really strong bright -- I am going to break this apart for you in terms of South America and Southeast Asia because the top line is -- South America is our fastest growing region, which is on fire right now. Southeast Asia is a little bit behind that.

So, the way we characterize it is South America is growing based on (inaudible) several years ago. Quarter of Rob's job over the past year and half has been to take a lot of those ideas and move them over to Southeast Asia. So that, he has taken a lot of leadership from South America, Venezuela, Argentina, from Chile and moved that over into India and Indonesia.

And we just had a big event in Malaysia a couple of weeks ago. And take those ideas and probably equally important is taking enthusiasm, the positive energy, and the fact that the business can grow. One of the toughest things as a distributor is when your business is flat, you think everyone's business is flat and you think you can't -- you can't make money, you can't find customers, you can't recruit.

So, all it helps is to bring distributors from another part of the world, maybe you have a fresh idea, have enthusiasm, have a new idea for you how to penetrate the market. And we expect that over - a way that we will see those Southeast market start to grow like South America.

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What are we doing? One of the things that we are doing is we are going to test the customer initiative in Argentina. One other things that we really want to do is to increase visibility into and consumption to products, it takes some of those discount buyers, right. So, we think like in last quarter, we said about of the 1.7 million distributors, about 1 million of those we think are discount buyers.

They buy less than a \$100 per order, and then this year -- for the discount. They are coming now to business, they are not business builders, they are customers, they are discount purchasers. We want more visibility in that, we want them to be able to order directly from the Company.

We are going to take that infrastructure off the back of our distributors so they can focus on what they do really well, which is to bring new people into business, managing their customers, training on the products, those type of things. So, what we are going to is we are going to test this in a small pilot test in Argentina, the leadership in Argentina, that is very, very behind this, because they don't want to do.

You know what, if you can auto ship to my customer, you can collect the money, you can give me back my commission, they are fine with that, and we will charge some type of admin fee for doing that, but that's really -- we are not doing it for that, we are really doing it to have visibility and so we can do CRM, we can look at what people are buying, we can look the effective promotions on the customers.

And so, again, we are very into trying to bring visibility analytics metrics into the business. And I think it's -- this is going to be a very exciting product -- project and we anticipate that in the first half of next year.

Products, again, sample sizes, we do now over the world to support the sampling DMO, Formula 1 flavor extensions, again this is -- basic line extension and it's a selective market, sort of the must carry. So it will bring out, if we don't have Liftoff or NouriFusion, we will continue to roll those out in those products.

In terms of geographic expansion, like we talked about Ecuador, we will be opening next year, we believe a big market. Vietnam, we will open when the regulations, quite -- it maybe '09, but we will do a lot of the work on that.

And then also looking at country model conversions, one thing that we talked about in our past earnings calls is looking that, it's part of the OFG, it's looking at the way we run businesses, and we really have import models where we pay a third part to import, service our distributors and we have full subsidiaries. So, again, what we are doing is, do we have the right model in each market. We are putting the infrastructure investment in the high potential markets.

North Asia, so this is Japan and Korea. Great run in Korea; Japan is -- is a tough market as it is for all direct selling. The good news is it is the second largest direct selling market in the world. The bad news is it's shrinking. But we think we can steal market share. We don't have a lot of market share. We had market share at one point, we lost it. Our primary issue is we had a lot of, if you look at retailing in this, look at the distributor stratification, we have a lot of distributors are product users, but they are not building businesses.

You would expect to see the far right hand slide there, it's more people having bigger orders that are moving up to supervisors, you are not seeing that. So, lot of our focus is on recruiting distributors into the business. We need to bring in more distributors. And we are starting to see some -- actually some leverage on that.

We are starting to see actually some sequential increase in new supervisors in Japan for the first time in three or four years. So, some of the efforts that we are doing are starting to pay off. And Korea has been a good market for us, it is still a very strong market.

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In terms of what we are doing, leadership development, one of the things we have to do in Japan is develop new leadership. Our press team is our oldest, average press team in the world and we need to bring in, it's a lot of the folks that has been on building the [get] team and middle team. And [taking them not to] press team, we have an end step forward and it is very tough.

In a culture like Japan to get -- the mid managers to step up and become the top managers is a very tough team culture. So, we have been working on that for a couple of years. But what we are starting to see is we are starting to see people in that part of the marketing plan actually move up the marketing plan and take more and more control. And so, we are doing things like middle team retreats or future press team retreats and really focusing on the skills you need, the leadership skills you need and to move up the press team.

And Nutrition Clubs, one of the other big things we are doing in Japan is focusing on bringing the Nutrition Club concept there. We just took a lot of our Japan leadership down to Taiwan and introduced them to the central club concept that is working very, very well in Taiwan where people are trading the central club and people coming on the way to work. It's not a lot like the in-home club.

It tends to be actually people are working and so we think that idea worked very well in Japan because again you have to have heavy concentrations of people moving in and out of the city and if you can put up a club and have them to come in for half an hour or something on their way to work or doing a (inaudible) after work to have a shake and a tea, we think that's something that can work very well. So again, we are taking that Taiwan idea and to exposing it to our Japan leadership and so far they like it and they think it is something that that will work.

Our product, Tri -- you see Japan is also a country where -- and Korea where the local product is very, very important. So we are looking at a lot of local products. So, you will see things like the Active I-Drink which is a tonic, probably know it is very, very big in Japan. We have a triple health drink.

We are going to be bringing these out in larger sizes, drive down the cost for the consumer. We have a lighting (inaudible) is one of the biggest selling items in all of Asia. So, again, really looking was Steve's group at developing local products that fits either consumer pattern or DMOs of our distributors.

This is Korea, there is the Green Tea, product taking over (inaudible) actives out of Green Tea and putting it into a tap. So, again a very, very big seller and antioxidants are huge, all over the world but especially in Asia and Japan. Branding, like you have seen a lot of tape on the TORAY Pan Tennis Tournament of the single largest women's force in tennis, it's [right after] the Australian, so a lot of the women would come up and play in, and we have tremendous exposure, we have booster, we see thousands and thousands of customers and explosion to our brand. I think that's it for North Asia.

And finally Greater China. Remember, this is Taiwan, Hong Kong and Mainland China altogether. We don't break out the distributor patterns because there are two types of distributors obviously in China. We don't have supervisors, we have employees and we run employee retail model in Taiwan.

So, since we don't break those out, it's a sort of meaningless number to give you. What you will see is obviously very strong (inaudible) Taiwan, again driven to -- by traditional business, also by really strong penetration of those central clubs I was talking about, and a very strong new supervisor growth.

So that's -- in terms of China, continues to be a good opportunity for us. I think as we said in the last call, we have 90 retail locations open throughout China, where we have focused those in the one of the provinces that we are licensed in, but also into Northeast China, which is really the hot bed of direct selling in China. But we do have stores in every province now. In China, and we will continue to open those in March.

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As you know, we received our direct selling license in two cities, which was Nanjing and Suzhou. In June, we got our license in prior province of Jiangsu, which is where our headquarters or actually manufacturing plant is located. Just to give you a number, that province alone has 80 million people in it, it's almost the size of Mexico, we are licensed there.

We are currently in the process of being licensed in five additional provinces. We are not going to disclose those for competitive purposes, but we think that we will get notification probably or hopefully before Chinese New Year of next year. So probably in the next 90 days, we expect to hear. And with those five -- those six provinces, we will have about a 350 million people will be in our licensed province.

So, the licenses really do three things. One, it will (inaudible) good housekeeping field approval. It says that you are a legitimate company, we look at your marketing plan, we look at your business practices, we visit at your offices, we looked at your product, we looked at everything in your business and the government approves it.

So, they have looked at the way -- it's a long, long process and that's why it takes so long, but it's a good process, which I think what it tells you that companies that get license, approval from the government that they are doing everything the right way. And I think the other thing it does it really builds confidence in the company with our distributors, with our customers, with our employees.

They say if you license, then the government has looked at you, you are a legitimate direct selling company. And as you know, there is just not many companies that have been licensed in China yet. So I think, we think it is a competitive advantage to have an early license and we are very happy and our business is doing very well.

In terms of what we are going to continue to do, I already talked about that. We are in for five licenses now, we will go for another five next year. That will get us up to 11 provinces. Products continue to take out. Tri-Shield, which is one of our heart healthy products. PPP, which again will help increase the protein levels and tailor that in China. And then one of the things that we are really getting into is Cordyceps, it is a traditional Chinese medicine product.

And that is a huge category in China. We have stayed out of it before because we really want to license and get our toward a core product line in there, in weight loss and some of our target nutrition. And now what Steve sells in the local team, we are really looking at going into their traditional Chinese medicines that -- they have good science behind them that have -- Steve is adamant about this -- we are not going to launch it unless we have a great science behind it. So, this is something we are looking at that we hopeful will be able to launch and put our toe into that TCM, Traditional Chinese Medicine market.

Branding. We spent a lot of money in branding in China. We have done billboard advertising -- advertisements. So, those big electronic billboards you see sort of Times Square, we do this in all other major cities. We are trying to build awareness of the Company. Herbalife -- there is no one direct company --- selling companies aren't that well known in China.

And so, we are trying to build -- again, this is validating, the Company validating our brand, and validating that we are legitimate Company. It can afford to spend money and it can afford to build consumer awareness. And again, because we are a retail, employee-based model, it's very important to build consumer impressions and build awareness of your brand. We will be looking at sponsorships in China next year.

Think along the lines of TORAY Tennis Tournament or the Galaxy deal, we are looking at opportunities again to get our name exposed and associate with a healthy active lifestyle. So, we will be looking at sports sponsorship much as we have done in the U.S. And I think now we have some private sponsorship in over 35 markets around the world.

And then geographic expansion. As we continue to get license, we will continue to open up stores, we are focused on those areas. We are licensed and [over] where the business is very strong. We are in the process of putting together our '08 real estate expansion project and really looking at taking a fresh look after a couple of years being in the market and where do we really

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want to build stores, and then more importantly what type of stores you want to build. We did generally have two to three types of stores.

Now, we have flagship stores, it's really the statesman doors that really build the brand. They are huge, we have what we call sort of the many of the standard size stores and then we have also sky stores, which are really small pickup centers where there are not so much for training or whatever they really to pick up new product and we are looking at which one of those types of stores so we can either expand and also looking at cities where we are not, right. We don't have an office store in Shanghai. There is lots of major cities where we don't have stores. Again, we will continue to do that and expand that.

And so, that's my presentation. Thank you for your time. And I will turn it back over to Rich.

Richard Goudis - Herbalife Limited - CFO

Thank you, Greg. Over (inaudible), less than an hour away from finishing up. So, I appreciate you being patient, and we will try to conclude may be a little bit early. What we like to do in those closing hours, I would like to walk you through the financials, give you a little bit better of an insight so you can refine your models a little bit in the areas of top line growth, which you got a lot of content today so far from Michael, Greg and the doctors.

So more importantly, start to look at the margins, all right. So, one of the goals we have and one of Michael's primary goals is to have the best operating margin in this direct selling industry, and then talk a little bit about our capital structure and how -- what we are doing and how we are optimizing our capital structure, taking all our great cash flow returns and trying to increase those returns to investors. And then, we will conclude with an open Q&A period with some closing remarks by Michael. So, brace yourself.

Let's start with the top line growth. You can see (inaudible) economic trends. A lot of the questions we have received over the last four or five months as the U.S. economy has slowed down with subprime loans issues, et cetera, et cetera and a lot of the other companies you may have invested in. You can see over this 10 year period from this chart at the left, the only year that we did not have growth was the year that the founder of the Company passed away.

And in this Company, being the founder, an emotional Company, that had an adverse effect on the Company. The Company was also put up for sale that year. And as Michael mentioned earlier, management and distributors, there is a state of lack maybe of confidence or uncertainty in the future of the Company. So, that was in that, you see the strong single or double digit growth and with the arrival of Michael on the management team, you can see the growth rate actually accelerated in '05, '06 and '07 is the range of estimates that are out there, (inaudible) model, the [disulphide] models.

This business model of direct selling converts very nicely down to -- into free cash flow. I think that's one of the quality aspects of this Company, an indicator in this industry as well, but the quality indicator of our Company. And you have seen that, the growth in cash flow has mirrored that strong growth over the recent years in the top line. So, (inaudible) but why?

Net sales growth over the last seven quarters on the left side of this chart, double digit growth, topping double digit growth; '06 was a story of very strong double and triple digit growth in Mexico; the latter half of '06 saw the double digit growth in our oldest market, the U.S.A., and the last five quarters, as Greg mentioned, we have been anniversarying 20% growth, or had 20% plus growth in the U.S., the last quarter anniversarying 25% plus growth and growing 20% on top of that in our oldest market.

On the right hand side, operating income expansion. Our goal, Michael's stated goals to the investment community is a 50 basis point improvement a year. Last year in '06 with a very heavy investment in China, I think we got about 30 basis points. This year, if you look at analysts models, we are tracking somewhere, maybe up 75 to 80 plus basis point. So, we should be able to recoup the 20 so basis points we didn't get last year, plus the 50 this year. So, as we look back over the last two years, we can see that we each have about a 100 basis points of operating margin improvement.

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Let's take a moment and walk through this slide, this really will help you better understand where the leverage is in our model and how we prioritize our initiative to try to improve and to get the very best out of our model. So, on the very far left, in the red is our net sales. That's what we physically report on a quarterly basis and annual.

On top of that is the distributor allowances. This is the 50% of every retail dollar payout to distributors. Part of that is cash as a true commission. Most of it is unrealized profit that they are making when they deposit and lock it up. And then on the top is handling and freight.

Let's focus first on this very large available component of the model. I mean this is one of the attractive aspects of our business that's one, we don't need a lot of capital investment in the business and the model is very variable, the real driver here is top line growth, focus on top line growth. 36% of our business is variable as it relates to payouts to our supervisors, who are eligible to receive royalty payouts and Mike will walk you through those three components.

21% approximately is our product cost, about 16% is what we would say overall from a (inaudible) standpoint is distributor facing. That's everything from some of the branding and promotion activities that Greg walked you through to the people that you may meet later on in our call center, in our warehouses to packing and shipping or anything distributor facing.

What we try to do is, we think of our business, when we budget our business, we think of long-term strategically, these are the types of areas most specifically distributor facing and the royalties, that essentially we want those to vary with sales. Royalties from the standpoint that means checks go up, increase the very incentive and engage distributor leadership.

And the distributor facing, we believe that that's one of the areas involved, it's very discretionary to us and we have a lot of controls over that, but that's (inaudible) that Greg and Michael use to stimulate the business. So, we want that to grow if you think of a long-term budgeting, annual budgeting, we want that to grow at the rate of sales.

It doesn't necessarily have to, but we believe that there is a very strong return on investment. And then, product cost is an area that this Company has not been -- supply chain is -- we would never walk around the hall and say supply chain is a center of excellence for Herbalife, yes. Yesterday, I think that started to change with the arrival of our new senior Vice President of Operation.

We will introduce you to Shankar that is sitting in the back row, later on and during lunch, got a tremendous global executive with experience at companies like Sandoz and Roche both in Germany and in Switzerland. As we think that's going to be the leadership that we need to better leverage 21% of our business. I think it's going to go in three steps if you think about it.

First, we want to better optimize the supply chain today. Many of you know that in 2000 and with prior, there is effectively a captive manufacturing organization that supported all of Herbalife. With the passing of Mark Hughes, that broke apart. Today we would probably tell you, we probably do too much business and it's too broad with people.

So, first that is we want to do more business with the best suppliers in the world and that's a process from a quality, from an R&D, from a manufacturing standpoint that come together to make that down selection if you look and we think there is value there, real value.

The second is we want to look at on a geographic basis. If you think about it, we source today. We are pretty well hedged, most -- all of our manufacturing in Europe supports all of our sales in Europe, but we made that decision to outsource to Europe when \$0.88 was probably a euro. Today, \$1.14 or so about a euro.

So, there might be opportunity to bring some of that production back, give more business to people here, still absorb the freight and duties going back the other way and still have landed savings. And I don't think collectively, we think the dollar is going to strengthen that quickly over the next say three to five years. And then lastly, we believe at the right time, we need to get a little more vertical in our manufacturing.

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We think from an R&D, protect our secrets, protect our science and you see that, especially as we start to do more clinical, to protect and ensure our quality, whether those of the new GMP that you may have read here in the U.S., but more importantly things like non-GMO and understanding the origin of the ingredients of our product. Controlling the quality of our product always in the manufacturing process will be a competitive advantage for us.

And then lastly, they should optimize that and to ensure, as Michael said earlier, the confidence that I am sure that we have the very best product. So, we think those are the three steps that you will see us journey on over the next three to five years when you think about our long terms strategic plan.

Now (inaudible) 18%. 12% of that is exactly fixed overhead. That's everything from our salaries, our bonuses from a management team to insurance, travel and entertainment, FAS123 R, stock option expense, et cetera. It's all contained on overhead fees. We believe that when we budget and we think long term, that's kind of a real GDP growth kind of element of our business. So, we can contain that to real GDP growth.

We think that's what we get some natural leverage in our business. And especially, if our growth rate goes from, let's say, high single digits to double digits, even more leveraged. Our tax rate 5%, our interest about 1% leaving a net profit of about 9%.

Talk about tax rate in a little bit because as you know, that has been area that we focus our tax planning to reflect the global structure of our business and the fact that 80% of our sales and profits are derived outside the U.S. gives us some unique opportunity from the planning standpoint that helps drive down an effective tax rate.

Let's take a look cost. We talked about -- I just talked about it a little bit, but over the last couple of years, '05 and '06, it was pretty flat. This year especially in the first half of the year, the benefit that we saw on top line growth from an FX standpoint, we saw a little bit of a hit because again, we sourced about a third of our business in Europe. It's been -- it improved in the third quarter.

Some people have asked, can we expect to see that as we look into the fourth quarter and I think that was effectively contained in our guidance, the answer is yes. As we look at what's out there in the financial community, say from the sell-side analyst, the range for next year is something between 20.1 and 20.8.

So, well, that's a 70 basis points range. We believe that that's probably reflective of where we think we can be, taking on the opportunities that I just mentioned about optimizing the supply chain and also some of the risks, so costs are going up. Resin product costs are going up, but we still think again, because we have not leveraged and not optimized this aspect of our business. We think there is probably more opportunity than risks, both in the near term and definitely in the long term.

SG&A improvement. This is an area where most of our leverage has come from over the last couple of years, improving and we kind of stratify this too again, because our China business -- our China business bills if you will, our sale employees and they run -- their costs run through SG&A. We try to show you the normalized line if you will, excluding China and also -- and as reported basis including China with competition in SG&A.

In both cases you see the leverage. You see more leverage obviously without China in the business, and you see that the range for next year, somewhere between 30 to 60 basis points is the estimate of where the Street thinks we will be showing, all right, but both -- showing some level of improvement from flat to 30 to 50 basis points improvement.

And I think again, if you run back to your model, some of the just thoughts about how we think about what's big, what's really variable, what's discretionary, what do we try to hold it at GDP level and then, I think that will give you a better sense of where we think the operating margin improvement can be.

I think over the next three to five years, more of our margin improvement will initially come from further SG&A. Leverage, Greg talked to you about that by looking at the business model, trying to convert some of those smaller markets to importer models,

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taking those very precious dollars and investing those into higher ROI type of investment, primarily Eastern Europe, Asia where we think we get a better return on invested dollars.

One of the things that creates a little bit of lumpiness and because we don't give a long-term quarterly guidance, we thought this chart might help you better understand some of the variable expenses that are lumpy to us, specifically to those very large distributor events. So, on the left hand side, was the layout for this year and the right hand side is the layout for 2008.

And effectively, you can consider that each of these events is somewhere between \$2.5 million to -- \$2.5 million or so, and you can see next year a couple of things. One, we have more people at the higher levels of the business, and more of the events are in more expensive locations. So, I think that is something that you should consider in planning both on the timing standpoint, but also from an absolute dollar, we expect to see (inaudible) probably more expensive because of where they are located.

Getting below the line now. One of the things that we embarked upon in 2004 was taking a look at our tax planning and did our tax planning really near our long-term strategic plans for our business and we saw an opportunity, and the opportunity to put into place. Effectively two plans that would help improve the effective tax rate over time.

And those of you who have been following the Company for sometime have to see it, depicted here in the graph. When I started with the Company in '04, I think the effective tax rate is close to 50% and we believe right now our guidance assumes a tax rate effectively in the low 30. I think most analysts have it somewhere between 31%, 33% is what's depicted here in the graph, and this year somewhere between 37.3% and 37.5%.

Need to take away from this is, it's sustainable. We have [short] opinions from our KPMG and PWC on our plans, and we believe that at the end of the day, we will have the lowest sustainable effective tax rate in the direct selling industry, again because of the global nature of our business.

To reiterate the business model direct selling, Michael talked about the strength, how old the industry was, the growth rate, et cetera. From an investment standpoint, one of the great attributes to this business is very investment fee, lack of need for lot of capital investment. You can see over the last couple of years, we have been very focused in improving our capital structure, paying down debt, taking that free cash and being very disciplined.

We have done three upgrades from S&P. We are investment grade with S&P and we hope to see the benefit of that as we enter into 2008. We are trying to get improved LIBOR margin spreads. But you can see here in the box is we have significantly improved our debt to EBITDA ratio, while at the same time embarking upon a very aggressive share buyback program over the last six months.

And then lastly again, our pretty strong cash flow on this page and you can look at and you can see the relationship here between net income and free cash. And one of the points on that effective tax rate, the majority is now, there's really no difference really from [that floating] cash, they are very closely linked. A lot of people ask that question repeatedly. Is it the real cash, effective tax rate and the answer is effectively, yes.

So, the improvement you are seeing on the P&L really translates improvement into a free cash standpoint flow, which just gives us again further dollars to invest back in our business and help accelerate returns to investors.

I take a moment to kind of give you a perspective how we think about managing the Street. When we went public in late 2004, one of the things that we heard over and over again is do not disappoint Wall Street. We are probably ultra conservative when we went public. The Street expectations were \$1.14, and we were delivering \$1.52 that year. A year later, we found ourselves doing a marketed secondary transaction. The consensus at that time was \$1.85, we delivered \$2.06.

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When we started 2007 a year ago, guiding for 2007 we got a \$2.40 to \$2.47. And even absorbing the top line changes in our forecast, the first week in January when we discussed about changes in our outlook for Mexico specifically, we have been able to consistently drive improvement to the bottom line of this business.

I know you get the sense of what's controllable in our business, the fiduciary control we have and oversight we have in our business and how prudent investment criteria and process is for controlling costs in this business. And today the guidance that's out there is \$2.62, \$2.64 for the Street for the consensus of \$2.65.

Looking forward to 2008, consistent with what we articulated a year ago, we are going to give less visibility in our guidance. So, you see a stepping down, not only giving top line and bottom line guidance, along with CapEx. Let me just address that.

Taking into consideration current business trends, both from a peer volume, pricing, currency, what we think for margin expansion et cetera, we believe that our outlook for EPS is going to be somewhere between \$3.17 and \$3.23 next year. Some of the key assumptions there is a top line growth rate of 7% to 10%.

So, once again, just like the past couple of years, that chart Michael showed early on, you see with high single digit growth, we can get strong double digit growth on the bottom line because of the unique nature of our business model, [operator] position and discipline in how we allocate those dollars and improving cost structure to drive what this guide sort of assume is 20% plus growth rate on the very bottom line.

You will notice next year our capital investment spikes up. It has topped up in '06, '07 and is spiking a little bit more in '08. I need to kind of take a moment to walk you through what those are. The facility you are in today was our '06 initiative. We spent about \$20 million of capital retrofitting this facility and a couple of buildings surrounding us and the R&D center, things -- the investments that we thought were very important to our business to drive differentiation and growth in the future.

2008 where two major things are happening, one is we are moving downtown to -- in LA to our corporate headquarters, which we believe would be a great branding experience for our distributors and our business in being associated with Herbalife and AEG company, but more importantly, is the big bang for our Oracle program.

Over the last couple of years what we have done is with great discipline, we rolled out Oracle through our general ledgers on a worldwide basis. Our supply chain and inventory planning is all Oracle on a global basis. Next year, we start to put the last piece of connectivity, a very big piece of connectivity, to make this truly an integrated ERP system.

We believe between now and March of '09, we will take the entire world up on Oracle. That would be a couple of things. One, from an information standpoint to [restore] visibility into our business, second from an integration stand point, we will be able to share that information more rapidly and quickly on a global basis, so people around the world are seeing the same information real time, and then third is the (inaudible) to take the governor off and to grow the business faster.

We are today on a platform that has concurrent users of 450 people. So, it limits our growth as we go into new markets, as we see ebbs and flows of order patterns throughout the course of a month, it slows down -- you can go upstairs and see the volume. When Europe's on and we are on and Mexico's on, you see a degradation in our ability to take orders.

Then Europe dropped off, Mexico dropped off, our ability to handle orders picks up, so not only on a day-to-day basis, but more importantly kind of governing our growth on a new market basis. So, we believe that once we get through Oracle in '08 and '09 that we will be able to accelerate growth. And we think of it this way, AVON is in 140 plus countries, we are in 65. When Michael came inboard, I think we were in 52. So, we have done a good job over the last four years, but we think there is a lot more headroom.

With that, I would like to invite Greg and Michael up, and over the next say 15 minutes or 20 minutes, we will take your questions and try to end at about 12.45.

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QUESTIONS AND ANSWERS

Richard Goudis - Herbalife Limited - CFO

Do you want to moderate?

Greg Probert - Herbalife Limited - President and COO

Yes, sure I will moderate. All I will do is give all the questions to Rich and Greg. You guys awake? We will talk in front of you, pencils out. Okay, any questions? Good morning.

Unidentified Audience Member

Good morning, how are you doing?

Greg Probert - Herbalife Limited - President and COO

Good.

Unidentified Audience Member

In the context of 50 basis points of margin expansion a year and the fact that you guys were not optimizing the supply chain, how does that change with the global head of ops, and I know it is a question you probably have yet to explore, but what are you thinking in terms of how that goes back in the business maybe back to your customers in the form of not raising price back to your suppliers or back to the shareholder?

Richard Goudis - Herbalife Limited - CFO

I would think it can go back to the shareholder. Raising price is a tricky thing to do for us because of the way we set price on a global basis. Our prices are pretty competitive in some marketplaces and not so competitive in others. And so, the best way for us to fight prices is on a local basis and maintaining margin while we do it. That's the Brazilian product.

It's gone out locally in Brazil at a local price. It doesn't, it isn't fixed and this is where it gets confusing, on a worldwide volume point basis. It is fixed in a local market basis, which makes it easier for us to compete locally.

So, I would say with supply change management, [Shane Gold] who is here and listening to all this today, he is hearing some of his [MVOs] presented to you all, which you saw is a good way to do it, sort of my favorite thing to do is make promises on stage and then make everybody fulfill them, and so he is back there smiling right now, which is great.

But, I would say most of it is going to be returned to investors unless you guys see it any differently. I certainly don't because we try to run at pretty much at a constant price margin return to us across our product range and we have got that somewhat fixed at a certain number. I would love to see it get improved.

We improve it in certain categories, whether it's outer care, which is probably the easiest one to improve margin on with all the products we have, but I would say the answer to the question, it's most likely returned to shareholders.

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Unidentified Audience Member

And just a question specifically about Brazil, I don't know if you want to take it, but when I look at the customer stratification, the new customers, the customers where we are selling the product, there seems to be a relatively consistent mix between Brazil and other countries, and I would -- I don't know if that should lead one to believe that the retention therefore shouldn't be as off as it is.

Is there is some disconnect between the two, and the presumption is if you are reselling the product to a lot of customers, then the supervisors when they become supervisors don't have a consistent stream of customers to sell into.

Michael Johnson - *Herbalife Limited - Chairman and CEO*

Right. The stratification number is only distributors, it doesn't include supervisors. Retention is of supervisors, so people that have moved up to that level. And I think the simple answer is, yes, there is a retailing base, a discounting base. What we are not seeing is the business builders come in. Once they get to supervisor, a lot of them are coming in as supervisors, those that we call organic supervisors.

They sort of comes in as what we call success builder with 1000 volume points and then gets up to 25 times two to get to supervisor and then continues to slowly build the business, and we have too many people that come in at a higher level and don't stick with the business.

I think a lot of the focus is on bringing people in and giving them training and giving them DMOs and things that they can not only be success themselves, but they can replicate with their downlines. But I think, yes, there is -- on the distributor level, there is a good retail business there and that's why it's still the third biggest country in the world. What we want to do is build a larger sustainable distributor base that will then go out and more deeply penetrate the market.

Please just raise your hand and we will hand you a mike, so the people on the webcast can hear.

Unidentified Audience Member

Good afternoon. Where do we stand on the Web based retailing side of business launched about a year ago that felt like distributors push back on a little bit, where do we stand today?

Michael Johnson - *Herbalife Limited - Chairman and CEO*

I can take that. Two things, one, we are going to test it in Argentina as I said to try and address some of the concerns of distributors and it obviously makes no sense to go out and do a consumer initiative. And again, it's very clear to what we said, we would only sell directly to customers that are cash distributors. We would never go around and go directly to customers.

Other direct companies have tried that, they try to go to retail or sell directly, and it just doesn't work, you can't compete with your distributors. What we want to do to address some of the concerns is do that test launch I talked about in Argentina, smaller market and also where the leadership totally supports the idea, so there is no pushback.

If anything it will help their business, they see the value of it, and I think if we can test it in Argentinean, then show that it grows the business, it helps distributors leverage their time, it gives them ability to manage now their customer base in addition to the downline distributor base and show the benefits of that and that there is no downside, then I can think we can take those key learnings and move that project around the world.

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Unidentified Audience Member

Was the last test -- was the last test only in the U.S.?

Michael Johnson - *Herbalife Limited - Chairman and CEO*

Yes.

Unidentified Audience Member

And you motioned going -- and it is for you Greg, you mentioned going after colleges next year, I think it was in the [USCI], what's different about how you are going to approach it differently than what you do today and your other methods of recruiting?

Greg Probert - *Herbalife Limited - President and COO*

Well, I think a couple of things. Right now, it is only up to distributors and what we are trying to do is to expose college students to the products and to the brands. Right now, not a lot of our distributors, so one of the things we are doing is really simple things like getting on college webcasts, we are getting in college magazines, we are maybe hocking up with some other companies that go into colleges like book companies and scholastic and maybe doing some co-branding opportunities.

Doing movie nights, just sponsoring -- just doing a grass root sort of marketing what Red Bull did. Red Bull penetrated that market by really doing feet on the ground and getting into that college environment. So we are doing [most of the] activates to really expose and then -- with distributors, but also just exposing them to the brand and to the Company.

And if nothing else, even if they don't become distributors, I think be a part of our vision and Michael talk about it all the time is Herbalife for Life, and if you look at it coming from Disney, at Disney, we got people three times. We got on their children, we lost them as teenagers, we got them back as adults, we lost them when their kids become teenagers and we got them back as grandparents.

And so, I think with Herbalife, it is the same thing. Herbalife for Life, get people on a healthy active lifestyle, obesity is not an adult issue, it's an issue. Children are obese, teenagers are obese, adults are obese, healthy active lifestyle is something that we want to push down. And so, the kids line, we are going after children and with stay-at-home moms, and I think we can get to college, and again just fits into life stage and lifestyle segmentation.

Again please just raise your hand and we'll hand you a mike.

Unidentified Audience Member

Thank you. So, switching the conversation to a strategic picture, if we think about regulations now and the issues you face, with the industry having some attacks to its integrity, why not as leaders in the industry showing that the industry is so fragmented, be leaders in pushing more regulations, shouldn't that be something that could build a moat around the business for you?

Michael Johnson - *Herbalife Limited - Chairman and CEO*

That's a great question, number one, and two is we have been leaders in that. We were the probably standalone Company in our category to stand behind a regulation that was passed by the federal government on adverse events reporting. We have a

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large presence in Washington DC, which we are very proud of, we have a meeting with Tom Harkin tomorrow afternoon in my office.

We spend a lot time with government officials and I think what we want to do is not support over-regulation, but support sensible regulation in our industry. We are doing clinical now. We have six clinical in action, we have one that will be published, Steve, in the next two months and that's unique in our industry.

We are not just standing up and saying, oh, this is a great product because my cousin took it. We are standing up and saying, this is a great product because the scientific benefit and the nutritional benefits of this product are the following. I am very excited about this clinical that is going to come out.

Interestingly enough, it is so moving that it is going to open up to be somewhat of a target too because we are going to prove that through David Heber's platform of protein enhancement, and I probably should be careful not to go too far here, that our nutritional based program is a better weight management program than anything else and anything prescribed, anything OTC.

We are going to prove it is better, and that is going to be a stunning announcement, and we will make that sometime mid next year. Well, I think I probably just made it, and I am probably in trouble for that, where is Brett, but when this comes out, it is going to arm our distributors with a data bank that's beyond the testimonials. Testimonial is fabulous, but going beyond and deeper than that is security and confidence.

So, I don't want to be the one who is going to put a moat around this industry, but realizing the ministries of health, the FDA, big pharma and how they fell about industries like this, we are going to protect ourselves very well in the impenetrable in the years ahead.

Greg, Steve and I yesterday sat down and we formed a committee of three to talk about a product strategy two, four and six years down the road that looks at every single product we have, looks at clinical, looks at scientific substantiation and builds for us a wall, if you will, you can call it a moat, I will call it a wall to protect us into the future to give our distributors security and confidence that the business they are building today will be here ten, 20 and 30 years from today regardless of what regulations are thrown our way.

So, I am excited about that, that is one of the things you get these moments and go, okay, we are getting pressured here and there. Trouble is opportunity, that's one of my favorite quotes, and so there is trouble out in regulations, just an opportunity for us because we have the resources you saw today, we are building the science lab, the doctors, we have the resources to stand out and we will do that.

Unidentified Audience Member

I have a follow up question for some. So looking at the pie chart you showed that the industry being fragmented, you often mentioned your competitors being other direct sellers and dragged a few names and what would be [beauty] Oriflame or AVON, what would be the view if you took that by country and you looked at yourselves only as a nutrition company?

And I don't see why you wouldn't be able to form already a picture of -- show any specific countries that is in fact a barrier to entry and your other competitors aren't in that nutrition area?

Greg Probert - Herbalife Limited - President and COO

What we do, we look at it both ways, because we consider our competitors to be both direct sellers in terms of method of distribution and the only one selling products then define it from an end consumer stand point.

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And I think, as Michael said in his opening remarks, one of the things that we think differentiates us and gives us a unique selling proposition, not only are great products, but the education that comes with that as this business becomes more fragmented and Niteworks is an absolutely growing example of that.

Lou is now -- cannot talk to every customer around the world about what Niteworks does. You guys in five minutes I think got a pretty good understanding of the need for that product and how it works. Similar products have sat on retail shelves, but have failed because no one at that store level can actually [distribute] concept and it's too early and our distributors, their unique selling proposition is their ability to do a complicated sell, right.

So again, we think that having products that appeal to a broad consumer demographic and distributors that can explain those products and mentor like Michael said, if you are losing weight, you need a mentor -- you need someone to customize that program, you need someone to call you up, you need someone to tailor that program over six months. It is not the same program the first week as it is in weeks six and week 12.

So again, if you look at what David does in his clinic, it is a lot about people coming in and not only the products, it's about the support. You look at Nutrition Clubs, the value of Nutrition Clubs is not only the product. In fact, you come in, you have a sense of community, you have a group, you have recognition, so (inaudible) results is one thing. So, I think again it is hard to say we are either completely over as a consumer products Company or completely only a direct selling, we are both.

Unidentified Audience Member

Greg, two other questions, so if for example in Mexico you have achieved a certain market share in nutrition, you find that that gives you an advantage in that space that adds to your profitability there, so there is a certain critical point of share.

Greg Probert - Herbalife Limited - President and COO

Absolutely, and it gives us -- it is why some of the things we are doing in branding is to get awareness. It's not only the drive, [compulsion] is to drive, what you do in a traditional consumer business is to build impression, to build awareness of your Company, to build sort of awareness of your platform as opposed to nearly product awareness.

So, if you look at what we do, we packet both from a push business -- the marketing, another marketing we are doing is also the traditional pull marketing where we are getting people exposed to the product and to the brands so that when they are approached by a distributor, they go to find a distributor, they already have an awareness, an increasing top of mind awareness is something that we are starting to track, it is something that we will tap.

But, again, you have to (inaudible) you have to make sure you have enough distributors who already have a customer initiative where they have a place to go, because you don't want to build up demand if they can't find a distributor. So again, we have to do both those things in combination.

Unidentified Audience Member

Thanks. Greg, in your prepared comments I think you said something about China expecting here something here in the next 90 days. It's obviously taken a while, and by no means are you on a map, but can you maybe spend a little more detail with some of the signals you have received that give you the confidence to make a sale there?

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Greg Probert - Herbalife Limited - President and COO

Right. Well, I think the signals are it is a very long process and very careful, and to your point about supporting regulations, I think it is a good process, because what it does is, if you get through this process, you are validated as a very legitimate company, you are validated in products, you are validated in business, ethics, reputation, everything, and so we do support that.

It is a little aggravating and it takes so long to do it, because we are all anxious to grow our business faster, but in China, we have gone through the local approval process and it is really about a five step process that we are about three and a half steps through. So, the signals are we know where we are in that process, we follow up with that process on a weekly basis.

Our head of DA is in constant communitarian with MOFCOM, which is a government body and so again, we follow through that process, and it is really sort of a [step-gate] process and we know where we are in that process.

Now, sometimes you get to step four and you think step five is three weeks away and it is pretty managed, but given sort of traditional timing that what leads us to believe that we will get an answer, we will get through those last few steps in the next 90 days. Maybe you can and enlarge (inaudible).

Unidentified Audience Member

Thanks. I was wondering if you all had an update on any concerns you have heard from distributors or from the Chinese government, it sounds like probably not, about the sector report that came out about a week before -- the day before your reported earnings, I know that is a bit of a concern.

Greg Probert - Herbalife Limited - President and COO

Okay. So, two questions, one the Chinese government, they don't care. They get stuff from all over the world. What they care about is what happens in their country, and the SAIC, which is really sort of the enforcement body in China have looked at us, have looked at our marketing plan. I met with them last time I was there. Paul Noack who is running China for us in the interim, he and I were there a month ago or two months ago and we met with both MOFCOM and SAIC.

They know us as a company, they visit our stores, they audit our stores. I mean it's a very tough enforcement environment. So, someone writing a column in the U.S. about what's happening in China, they don't care, because they care about what they find, not what someone tells them they think what's going on.

From distributor, we -- actually we went out to our distributors proactively to our leadership and talked about they understand how our marketing plan in China is different. They are very -- some of them are frustrated because we don't let them go to China.

They want to go to China and open up and say, China is a no (inaudible) but there is a wall around China in our business, and if you are there, you are under the China marketing plan, and if you are outside, you are under the worldwide marketing plan, and we make a big distinction and our international leaders don't go there.

They are not allowed to go there and we have ruled against them going there. And so, the distributors understand the environment and I think honestly the last time I looked in the U.S., we got two calls about it in our call center, and I track it every day. So, it was not an issue.

Unidentified Audience Member

This is going to be our final question.

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Greg Probert - Herbalife Limited - President and COO

Yes, right.

Unidentified Audience Member

Question on the -- you talked about oversight and enforcement and spent some time on that slide. Can you sort of talk about how big the number of staff in that area is, and you talked about the seriousness of your enforcement activity, and if you could sort of provide us a little bit more color in terms of --?

Michael Johnson - Herbalife Limited - Chairman and CEO

I am not like Greg, I don't know the exact size of --

Unidentified Audience Member

I mean an approximate value of what you do.

Michael Johnson - Herbalife Limited - Chairman and CEO

In all our major -- it's really the corporate group that is in charge of compliance and ethics, what we call EBP, ethical business practices. We have a Senior Vice President, reports directly into Brett Chapman, our General Counsel. He has a staff of -- it is probably 20 or 30 approximately, they are actually based in this building.

So, that's a cooperate staff and they basically work with the local markets. And in a market like Mexico, we have a Senior Director of EBP there. So, he enforces and works on a local level with the clients, and so we have a centralized staff in each of our markets, who will either be -- have their own staff, they are a large county or be supported by the region.

We have another Vice President in Europe and in (inaudible) and EMEA. So, it is a fairly large staff and we have a lot of cases, small cases but -- and we investigate all cases. One of the big things that we talk about is creating a level playing field. The people really in ethics are our distributors because someone is acting unethically or doing whether [it's in] product claims or business claims, that's an unfair convention for the distributor sitting next to them trying to compete.

So, we have to have a level playing field in this business, and our distributors demand as much as we do. So, we work with our distributors and that was a -- Mexico is a great example. That hurt the business. When some of those practices crept in, they hurt the business. So, we went out and as we disclosed, we performed 1000 audits ourselves.

Our distributors went and audited every one of their Nutrition Clubs and they sent in audit forms, because they want to go and make sure their downlines were compliant. So, working together with the distributors, again that's another leveraging factor.

Greg Probert - Herbalife Limited - President and COO

So, when you figure the size of the staff, your internal paid staff and then you have a distributor staff just out there minding the store.

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Michael Johnson - Herbalife Limited - Chairman and CEO

Okay, I want to just give a few closing remarks here, and then I will turn it over to Rich for a few details about where we are going next and what is going to be done. But, starting, when you sit in a meeting like this, you hear new things yourself even as a CEO of the Company and it is enlightening to you. It is good though, that's a good thing, you can't know everything that is going on.

I am sure you guys know everything about what is going on, but I don't. So, it is very interesting to me, for years I have been pitching to you and to all Wall Street investors, analysts that we're a fixer upper, that this Company, when we came in, we found a lot of pieces that were skewed and we needed to put them back together.

An opportunity to recreate a company, that's a unique opportunity in a business person's life, that's a challenge that we excepted, it's a challenge that I think we are doing a fine job with. I am very confident about the future of this Company, but we go from a fix-her-up now to we are getting pretty good at these stuff, now we need to be the best at what we are doing, and that's what our staff is hearing every single day.

It's good to be okay, it's better to be good, it's great to be the best, and that's where we are heading this Company. We are bringing on board a higher grade of intellectual capital every single day in our Company. We are bringing on board more successful distributors than ever before in this Company. We have more distributors recruited and retained, we have more successful distributors than ever before, we have more top line growth than ever before, you will see it exhibited there.

When we went out and went public, we made promises and we fulfilled every one of those promises inside our Company from driving the top like growth which I mentioned before, expanding operating margin to accumulating more free cash flow in this Company, de-levering our business that contributed to help new business, we are reinvesting capital into high return on equity programs and investment programs which you heard about today, which is everything from an IT system to building out more offices, to investment in China, to making sure that we have the infrastructure to support the opportunity inside this Company.

So, I see a company that's going to continue to grow, I see opportunity that it will continue to grow, and you see them -- hopefully you have a very sophisticated resource in human management inside this Company. We have a Nobel price laureate up here, I have a business partner I have been working with for almost 20 years now, we have a very short and quick language with each other, it is like a marriage, but better. I hope my wife isn't listening in. We don't argue as much, but we have our points in difference and we have our points of opportunity.

So, this Company is something I am very proud of. It is a Company that I believe has a very strong future. It is an industry that has challenges, unique challenges and I think you have asked great questions about that moat, I prefer to see it as a fortress for us.

There is an opportunity for us to be a unique Company in this space, our science, our meticulous detail to investor returns, and that's what we are focused on in this Company, shareholder returns day in and day out because we are all shareholders too, and much of our income depends on the share price of this Company.

And so, we are perfectly aligned with you on EPS every single day in this Company. So with that said, thank you very much for attending, hopefully you have been enlightened to our culture, to our opportunity and then the future of Herbalife. Thank you.

Richard Goudis - Herbalife Limited - CFO

Thank you. Just before we break, I just want to go through a little housekeeping.

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