

FINAL TRANSCRIPT

Thomson StreetEventsSM

HLF - Herbalife Ltd. Investor Day at NYSE

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Dec. 16. 2008 / 12:00PM, HLF - Herbalife Ltd. Investor Day at NYSE

CORPORATE PARTICIPANTS

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Herbalife - VP, IR

Michael Johnson

Herbalife - Chairman and CEO

Des Walsh

Herbalife - EVP, Worldwide Operations and Sales

Rich Goudis

Herbalife - CFO

CONFERENCE CALL PARTICIPANTS

Karen Howland

- Analyst

Amy Greene Vinson

Avondale Partners - Analyst

Chris Ferrara

Merrill Lynch - Analyst

Scott Van Winkle

Canaccord Adams - Analyst

PRESENTATION

Andrew Speller - *Herbalife - VP, IR*

Welcome to our 2008 Investor Day. My name is Andrew Speller. I'm Vice President of Investor Relations, and I want to welcome you to the exchange and to our investor day.

First, let's get the Safe Harbor out of the way, and please note that you can see the Investor section of our website for a reconciliation of any non-GAAP measures that might be given in this presentation as part of Reg G. Today's agenda, we have three members of our senior management team here to present, to give you a better understanding of both how we feel about our Company in both the long term and the near term.

We hope to give you an update on our business today, as well as why we feel so good about Herbalife being the best place, why Herbalife, why now.

(VIDEO PLAYS)

Michael Johnson - *Herbalife - Chairman and CEO*

Michael Johnson. I'm the Chairman and CEO of Herbalife, and we have a solution for you, a solution for these tough economic times and a solution for your health. Why Herbalife, why now? Let's take a look.

Unidentified Speaker

Why Herbalife?

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Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Well, now is the perfect time. I mean, you've seen the news.

Unidentified Speaker

Let's face it. It's a scary time.

Unidentified Speaker

The economy's in trouble, gas prices are at an all-time high.

Unidentified Speaker

Everybody needs money.

Unidentified Speaker

Markets are crashing.

Unidentified Speaker

People are losing their homes.

Unidentified Speaker

Their jobs.

Unidentified Speaker

People can't buy groceries.

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Unidentified Speaker

People are looking for something they can depend on.

Unidentified Speaker

A better life.

Unidentified Speaker

Our products support a healthy, active lifestyle.

Unidentified Speaker

Herbalife has the perfect, inexpensive, healthy meals.

Unidentified Speaker

We have the best nutrition products in the world.

Unidentified Speaker

Changing people's lives.

Unidentified Speaker

You can help others to lose weight, look good, feel good.

Unidentified Speaker

A better life, that's why.

Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Herbal-nomics.

Unidentified Speaker

It's recession-proof.

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Unidentified Speaker

When everybody else is having troubles, listen, we're flourishing.

Unidentified Speaker

When the economy's bad, our business is fueled.

Unidentified Speaker

I got started in a recession. This is my fourth recession. I'm more excited about today than ever before.

Unidentified Speaker

This opportunity can be your answer.

Unidentified Speaker

A better life, that's why.

Unidentified Speaker

Why now?

Unidentified Speaker

Because we have great science behind us.

Unidentified Speaker

We have the best scientific experts in the world creating our products.

Unidentified Speaker

Like Louis Ignarro, who received the Nobel Prize for his research on nitric oxide.

Unidentified Speaker

Why Herbalife? Our nutrition advisory board includes --

Unidentified Speaker

Award winning --

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Unidentified Speaker

-- scientists, who help set the standard by which nutrition and weight management will be measured.

Unidentified Speaker

We've got the science and the nutrition to back us. That's why.

Unidentified Speaker

So, why Herbalife, and why now?

Unidentified Speaker

If there's one thing that you can count on, it's Herbalife.

Unidentified Speaker

So, think about it.

Unidentified Speaker

For over 28 years, Herbalife has improved people's lives all around the world.

Unidentified Speaker

Changing people's lives.

Unidentified Speaker

In more than 65 countries.

Unidentified Speaker

Record sales --

Unidentified Speaker

Of \$3.5 billion in 2007. Now, that's incredible.

Unidentified Speaker

Incredible.

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Unidentified Speaker

Why Herbalife? Because you get to be your own boss.

Unidentified Speaker

Earn extra money.

Unidentified Speaker

Work from home.

Unidentified Speaker

Raise your own children.

Unidentified Speaker

Even name your own hours.

Unidentified Speaker

Make part-time or full-time money.

Unidentified Speaker

Paying the bills.

Unidentified Speaker

You can be an independent distributor for a leading wellness company with great products.

Unidentified Speaker

The leading wellness company.

Unidentified Speaker

In the entire world.

Unidentified Speaker

Changing people's lives.

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Unidentified Speaker

That's why.

Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Take your family on vacation.

Unidentified Speaker

Give your family all the extras that they deserve.

Unidentified Speaker

Change your lifestyle to do whatever you want to do.

Unidentified Speaker

You may want to provide a great life for your children, like we did.

Unidentified Speaker

That's why.

Unidentified Speaker

Why Herbalife?

Unidentified Speaker

Because you can finally earn what you're worth.

Unidentified Speaker

That's why.

Unidentified Speaker

Why Herbalife?

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Unidentified Speaker

Because Herbalife is a brand built for the future, your future.

Unidentified Speaker

And your children's future.

Unidentified Speaker

That's why.

Unidentified Speaker

And we're just getting started.

Unidentified Speaker

Why Herbalife? Because it's truly an amazing company.

Unidentified Speaker

Amazing company.

Unidentified Speaker

Dedicated to changing people's lives.

Unidentified Speaker

Changing people's lives.

Unidentified Speaker

Around the world.

Unidentified Speaker

That's why.

Unidentified Speaker

Why Herbalife? So many families are suffering financially.

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Unidentified Speaker

Herbalife is a company that gives back.

Unidentified Speaker

Take, for instance, the Herbalife Family Foundation.

Unidentified Speaker

Changing people's lives.

Unidentified Speaker

Herbalife's Family Foundation is making a real difference.

Unidentified Speaker

Around the world.

Unidentified Speaker

They help organizations provide healthy nutrition on a daily basis and giving them a safe place to come.

Unidentified Speaker

A better life.

Unidentified Speaker

That's why.

Unidentified Speaker

Why Herbalife, why now?

Unidentified Speaker

Just get out there and do it. Use the products.

Unidentified Speaker

Be the brand.

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Unidentified Speaker

And just get out there and talk to as many people as you possibly can.

Unidentified Speaker

Just go out there and do it.

Unidentified Speaker

What are you waiting for?

Unidentified Speaker

What are you waiting for?

Unidentified Speaker

Let's go.

Unidentified Speaker

Share this video with 10 people.

Unidentified Speaker

That you care about, that you love, that you adore, that you admire.

Unidentified Speaker

Share this video with them.

Unidentified Speaker

That's your first step.

Unidentified Speaker

10 people.

Unidentified Speaker

10 people.

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Unidentified Speaker

10 people, I mean, 10? 15 people. Why stop at 15? 20 people, 30 people? Come on, what are you waiting for?

Unidentified Speaker

100 people. Share with everybody. They want what we have. We've got it.

Unidentified Speaker

Come on. Why are you still here?

Unidentified Speaker

You know what? I'm going to do it. I'm not going to wait around. I'm going to go do it. I'm going to go find a couple people right now.

(END VIDEO)

Andrew Speller - Herbalife - VP, IR

So now, our Chairman and CEO, Michael O. Johnson.

Michael Johnson - Herbalife - Chairman and CEO

Thanks, Andy. Good morning, everyone. I hope you're better than the weather. Before I get started, I want to introduce one of our Board members to you, Colombe Nicholas, who's back there nursing a cold right now. Say hello to Colombe. And what you're going to find out, and Colombe's going to find out, is I speak the same way in the boardroom that I speak to our distributors, as I speak to our investors and to our employees.

And so, my message is going to be consistent, it's straightforward, what we're going to talk about today. Those of you who have seen me present before know that I wander a little bit. I get off and on subject, and Colombe knows that well. She's seen me in the boardroom, but I have my crew here today -- Des Walsh, who is our Executive Vice President. Say hello to Des Walsh, right there, who will be speaking today, and Rich Goudis, who is our Chief Financial Officer, and you've already met Andy.

We kept the meeting small, a small group today. Many of you have received a press release this morning that said that we are in the process of cleaning our Company up a little bit. 166 people, upwards of 200, will be unfortunately laid off. None of these are distributor touching bodies in the Company. I think when companies go through huge growth spurts, we find ourselves a little fat in certain areas, and so we're going through a very important cleansing, if you will, right now. I want to be careful with the use of that word, though.

But also, the thing -- the important thing for you to understand is we started this well before all this economic bad news started coming out in October and November. We started this last August. We started to look at our operations and realize that the most important thing we do as a company is our distributor touch points, whether we're taking an order, whether we're working on motivation with a distributor, whether we are building up confidence in what they do in the marketplace, how we're positioning the brand in that market, how we're building products. All distributor touch points, and all the cost that we've taken out of the Company do not reflect distributor touch points.

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They reflect us possibly having too much process, too much noise in the system, and so what we're doing is we're cleaning up our marketing areas, we're taking back office away from general managers overseas so they can focus purely on making sure that they are online, in front of distributors. If they're in the general management area, talking about revenue, growth opportunity and all of the operations, the pick, pack, ship, the supply chain management, all that is being coordinated and centralized under Rich, so the conversations that we now have with our general managers are purely about revenue, purely about that.

If it's a supply chain issue, it goes to the back office. We've hired a great guy named [Gerry Holly], who's been in this industry for years and years and years and is heading up all of our supply chain for us. He's a sensational executive, but all of that goes over in his area. Now, I've got a fancy -- not a fancy, but a well-thought-out presentation, I hope, and Andy Speller, who's our Head of Investor Relations, sent me an e-mail on Saturday and said, do you have any further thoughts?

And of course, I've been giving him further thoughts for about three weeks on this and so we just keep changing things, because last week, we had a Board call -- what was that, last Wednesday, I believe, Colombe. We were doing our budget for 2009, which is pretty late in the cycle for us to be doing a budget. We usually have that budget signed, sealed and delivered by October, but I was really unhappy with the budget this year.

What I had hoped to sit down with the Board and say is that 2009 on all factors is going to be better than 2008. Interestingly enough, we'll probably be better at what we call volume point sales, which we guide to you guys in 2009. We expect to be better in that.

We will have our second-best year in the last seven years in every other key area in the Company, top line, bottom line. Part of what we did last week was to clean up the bottom line and get our focus even more thorough on that. But Andy sent me a note and said, hoping to get some more comments from you tonight, was the headline. Sorry, Andy, I'm going to not embarrass you with this thing.

So, let me give you a summary of what I think today is all about for us. '09 by all accounts is going to be a tough -- this is what I wrote him. I said, dear Andy, '09 by all accounts is going to be a tough economy worldwide. We're not alone, we're not resilient from that in the way that some of those distributors believe we are, but I think we're terrifically resilient as a company.

We have some headwinds. You'll see a few of these when we're up here today. We've got a few sales headwinds on us. But we also have some tremendous potential. We're positioned incredibly well. Our business model offers opportunity in the face of massive decreases in employment. Millions of people are looking for jobs. We've got them at Herbalife. We have an opportunity at Herbalife that is as alive today as it's ever been in our Company.

We have distributors who constantly tell us about referencing point -- you heard one guy say I've been through four depressions, recessions, whatever you want to call them. He's been through four of them and he keeps bouncing back bigger each time.

One of our top distributors, I think Des is going to talk about him when he comes up, John Peterson, started in the '80s when Carter was President, and he talked about the recession, the inflation rates, the unemployment rates, the mortgage rates. They're all higher than they are today, and this guy made a killing in the '80s because he brought people to the opportunity of Herbalife, showed them that there was a way forward.

That's the competence, that's the motivation that we need distributors to feel every single day, and how do they feel that way? And so, I'll continue here. Our product is right for these times. We'll go more into that in just a minute. Our Company is and will remain a cash-generating machine.

We are profitable, we remain so, and we are flexible and we can adjust to the times, just as we showed you this week. We are adjusting to these times. Now, we're a little deeper than we expected to go in August when we looked at this, but we also -- if times get tighter, we're going to protect that bottom line. We have the ability to flex to do that.

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We are building out an infrastructure that will allow us to penetrate new markets in late '09. We're going to penetrate some new marketplaces. We had to get our IT infrastructure in place so that we can take orders, we can account for royalties, we can build people properly. We're just about done with this process. We're finishing it out in '09. We're using less capital to do it this year than we did in '08, but we will continue to build that out, and I believe '09, and then heading into '10, is going to be an incredibly heady time for this company as we add more markets to our portfolio.

Our business model is employed by distributors, what we call daily methods of operations. When they address daily consumption, change markets and they change the opportunity. We'll show you three markets that are massively on the increase for us right now -- Taiwan, Korea, parts of the US, Brazil, which was a down market for us three or four years ago, is now making a significant turnaround by employing daily consumption as part of their model.

Our balance sheet is about as good as it gets. Someone asked me the other day, he said, boy, you're basically a debt-free company. And I said this is the right time to be basically debt free. We're leveraged at less than one times on our balance sheet. We will continue to employ cash, and I'll talk to you a little bit more about that intelligently. We'll come to what we've done with some of the cash as the last year's transpired.

We have a high-yield dividend. That's of course due to the stock price. I'd rather have a lower-yield dividend and a higher stock price right now, but we've reversed into this higher index, and it's almost 5%, where we are right now. We may have an upside on foreign exchange. I have to be careful with saying that with Colombe in here, because when we presented to the Board last Wednesday, the dollar was at -- what was it, Rich, \$1.30 on the euro, and we're at \$1.37 today.

So, this is what's going on in this world right now. This is this unpredictable world that we're in, and so here we are five days later. We presented to the Board last week, locked something in and we've already got a foreign exchange benefit, but who knows where that's going to be in February or March? We can all read the same press and we can all make the same prognostications about what's out there, but really, there's somewhat of a sea out there that we don't know exactly what's going on. But we think we have some upside in foreign exchange.

We're constantly focused on a better business operating culture. We saw that today, what's coming out. We started our latest initiatives before this big downturn. We have consistently and constantly streamlined this company. We will continue to do so. We are real focus freaks about the bottom line of this company, which is your return, which is all of our investors' return.

Confidence of our distributors is paramount. It is absolutely the number one thing, and we'll talk to you more about this today. There's a lot of discussion. We used to talk about retention, which we still do. We took retention rates from 28% to 42% in this company. Recruiting needs to pick up. It is the fine focus of what we're onto right now, and we'll talk more about that and how we're going to do that.

We're doing so many things in the USA. We have a Wealth and Wellness Tour I'll talk to you a little bit more about, multiple extravaganzas we'll give you more insight about. President theme retreats. Des just returned from Tenerife. We were in Mexico two weeks together. You saw that opening video. We're a management team that's not afraid to travel, never have been.

I constantly get notes from my Board members, telling me to slow down, take it easy. They're always telling me that, but guess what, this is the momentum that makes this Company so interesting and makes it go. It's our distributors. And the more time we spend with distributors, the more distributor-facing that we are, the better off their company is.

When we sent off the note to you this morning or sent out the public press release, one of the things that by not bringing doctors here and by not bringing the whole team here, we're trying to show you we're being smarter about what we're doing, too, with the way we're spending money as a management team. We want to make sure distributors constantly feel that this management team is behind them, that we're here for them, that they're recruiting and they're building of the business is paramount in this Company, nothing more, nothing less.

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And last statement I put on here is our stock, and I'm reading it as I wrote this the other night at 2.00 in the morning, our stock is at bargain basement prices, better than the overall market. Rich said to me, do you want to ring the bell on Wall Street? Did it once. Did it actually four years ago today. Rang that bell. And I said, not with our stock price where it is. We went public with this company four years ago today, with a P/E of 12, Rich, a little higher than 12.

Today, we've got a P/E at 4.5. We've got three times the earnings that we had than and less than half of the P/E. Go figure. So, I'm not going to get on my hands and knees and beg for a higher stock price. We're going to get on our feet and we're going to walk and talk and run to a higher stock price through better earnings.

So, let me get into my formal presentation now. Current economic headlines, you've all read these. You know what's going on out there, probably better than I do. We may not be recession proof, but I think we're resilient in these times. We're operating in an environment where the US consumer is cleaning up their balance sheets. We're doing the exact same thing. In November, it was the first time ever that the consumer reduced their debts in this country, and that's unheard of in this country. People are sitting on their wallets right now.

We've got to help them and show them a way to make those wallets work for them again. We are seeing our top line softer than our previous guidance, due to volume slowdown in some key markets, Mexico, the US and Venezuela, offset a bit by the strength in Brazil, Taiwan and Korea and some of the fluctuations in foreign exchange right now.

Our EPS is expected in the previously announced guidance of \$0.65 to \$0.70. Again, Rich and I have discussions every single day about this. It's amazing the way it moves around in this marketplace. With FX, with some of the sales trends, we're very confident that we'll be able to deliver in that guidance comfortably.

Looking into 2009, you saw the video flash that we sent out to everyone and just so you know what that video flash was, it was completely ripped off from Barack Obama. I don't know if you saw the piece that Steven Spielberg did with all these actors about get out to vote. I watched that one night on the Internet and I watched what Barack was doing with his Internet, and we all sat together and said, we've got to be faster, we've got to be smarter, we've got to be in the groove of what's going on out there.

There's a big article in the Wall Street Journal this weekend about maximizing Internet operations inside companies and using the different -- the Facebooks, the YouTubes, and using all the different methods that are out there to get your message out. You'll see this company again emerge, and I think we've done it very well for the last four or five years. This is a terrific guerilla marketing company.

So, we produced that in an extravaganza. We grabbed people, we gave them scripts, we showed them the video, we showed them the Barack video. We pulled them behind a curtain. We said, here, say this, do this, do this, we spliced it all together, we had it done within 48 hours. It took 47.5 hours to clear the lawyer. We had all the footage done, and then we got it out into the marketplace and we told every distributor, send this to everyone.

We've done it in Spanish and English. Des just came out of Tenerife. We're going to do the -- we showed them this in Europe. We're going to do the same thing there in Asia. Hopefully, this will be viral and it will be all across the world. It's on YouTube right now. You can go find it. It's all over the place, and it'll be in people's in baskets. The only thing I said is it's odd that I haven't received one yet, because usually I get this stuff back to me, but I'm sure I'll receive it soon.

We have, as I said before, a fabulous company. This isn't a good company. This is a fabulous company and you'll see it as time goes on. You'll see the confidence that we have and you'll see the confidence our distributors have in these tough times. We have significant profitability, the ability to produce cash flow, strong business model and attractively priced products. Our annual re-qualification comes in January, and I expect this will further validate that our business can successfully weather these tough economic times.

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So, let's focus on the Company, what we're doing. We're focusing on recruiting and the growth of our distributor base. This is absolutely foundational to us, it is making sure -- and this is why Des is out there traveling, I'm in the marketplace constantly, is that we get our message into distributors and do distributors to be that this company stands 100% behind them, that we are confident that you can create an income working at Herbalife, that you can build a business, that you can build an opportunity for part-time or full-time income and for generations to come.

This January, I'll be on a seven-city tour with Dr. Luigi Gratton. We call that the Health and Wellness Tour. We did this about four years ago, when I was first new in the Company, I had no idea what I -- five years ago now, six years ago, if you can believe that. I had no idea what I was saying or doing. This time, I'm a little better suited for the marketplace. But we'll go out there and we're going to pitch not only the business opportunity with distributors, we'll be doing in seven cities in the United States at the latter end of January.

We will invite people into these meetings. We'll have thousands there at every city. It's proved to be very successful for us in the past and a very interesting way to use two executives, one, Dr. Luigi, one myself, and then draw the distributors together and it's basically which we call a large HOM, an Herbalife Opportunity Meeting. And we believe these are going to be very successful for us.

We'll be doing promotions in key markets. We'll come onto more of those later, USA, Mexico and China. Des will talk about some of those. An increase in distributor events and trainings. We have extravaganzas. We had 13 major events last year. When I came to the Company, we had three extravaganzas, we have 13 now. Some of these are major extravaganzas. About nine of them, four are what we'd consider more minor extravaganzas, but still they are major country meetings, drawing together distributors.

This is a chance, obviously, to educate, to inspire, to motivate, to give people a new look into our products, our business opportunity, a chance for them to get the message out and do recruiting themselves. So, we're not stopping anywhere. We're moving further and faster ahead than ever.

As you saw this morning, we announced a restructuring plan to adjust our cost structure, reflect what's going on out there. We believe we'll get about \$42 million in annual savings, \$0.47 of EPS inside this. This is a good message for our Company. We're not done. We're constantly redefining and refining our business model inside this Company. It's a very elastic market that we're in. We're growing constantly. We're looking at different ways to do things, the back office consolidation, which we decided to do last summer, is a bit of a change in a methodology, but we need our lead management team to be only focused on the revenue side right now.

The cost side, that's in Rich and my basket. We're going to make sure that we streamline. We've got all sorts of interesting ideas and plans ahead of us that we've seen that Gerry's brought forth, everything from vertical manufacturing onto a couple other supply chain enhancements, improvements in packaging, sizing, printing, everything that this guy's brought to the table, and we think there's a continuing EPS advantage in what we're doing.

We're focusing, as I said before, on these key marketplaces and the restructuring we announced. And let's get to -- you all have charts like this in your portfolios. Unless you're geniuses right now, you have some red and green in there. And if you've got all green and your name's not Madoff, I'm interesting in talking to you after this. That's a sad joke in this marketplace, isn't it?

But here's the portfolio of our Company. We have markets up, we have markets down, and that's going to be consistent. That was the way when I came in this company six years ago. It's somewhat part of the model, of the way we do business. We'd love to see that change. The more consistent we get in daily consumption, the more these change to the green and the more they continue to improve, but we have this in our marketplace. We have 70 markets that we're in now, but as you see our top marketplaces, we've seen a move forward in the up markets. We've seen fewer top 10 markets that are in decline, which is sensational for us, and we're diversified in 79% of our sales outside the USA.

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Usually, a greater state of market reflects unique company issues versus broad economic or political issues, so we're widely diversified. Our volume trends in the marketplace, I'm going to roll through some of these kind of quickly. In the marketplace, you can see there's a -- in the third quarter, seven of our top 10 markets are growing in terms of volume, which is fantastic for us.

This represents 70% of our sales. We would expect similar breakout countries producing growth in 2009, but due to worldwide economic slowdown, maybe at a little slower rate, but we still expect the growth out of these. You can read all the bulletin points that are on there about the 70% of sales, 73% of volume.

So, let's get to what the EPS impact is, and interestingly enough, when did we do this slide, last week, Rich? And already, this slide may be outdated for us, but hopefully it's a guidance point, anyway. FX has worked against us so far in the fourth quarter. It seems to be changing right now. It has lowered our 2009 EPS, assuming current spot rates, so there's some room in there.

Volumes are anticipated at the lower end of our previous guidance range. The volumes are a bit lower, but we also see some good things on the horizon. We've been active in our share repurchase, purchasing \$43 million worth of stock, which is about 2.4 million shares, in the last few weeks. That will be additive, of course, through 2009.

In 2009, it assumes -- our update to you on 2009 assumes no repurchase. However, we will monitor the situation closely -- that's CEO talk -- and we will make sure we act and perform admirably to the bottom line and to our investors of this company. We believe very strongly that there will be some opportunities.

Net-net, we're at the same 2009 EPS range of \$3.00 to \$3.20 as we guided on November 3rd. Now, that's what we guided and that's what we told the Board, but internally we're shooting for higher than that. My goal internally is to make 2009 a better year than 2008. I don't know if I'll be able to stand up here in a year and say it was, but it's certainly our goal inside this company, and we're going to do everything in our power to continue to do that.

I see some things on the horizon, new market opportunity. We see some changes in the daily consumption model in our company that continue to provide us opportunity. We believe strongly in our product. Our brand is more powerful than it's ever been on a global basis, and we're a better part of the image of the local community. Things are changing in a positive direction at Herbalife.

So, why Herbalife? Successful financial track record, driven by positive growth in global mega-trends. We have, as I said in my opening, and I'm repeating myself here, balanced financial strength, incredibly strong cash flow, high variable cost model, a strong balance sheet, as strong as you're going to see. Unique distribution channel for consulted products in emerging marketplaces.

This is really one of our specialties. This is why I think we shine so well in these times, because people are going to be more careful about how they spend. And the deal we make with people about this product is that they can lose weight, they can feel better, they can look better. And in these times, that opportunity with the financial opportunity attached to it allows us to continue to grow and make this even stronger coming out of emerging markets or coming into emerging markets.

We have a commitment to shareholder value. We've shown that time and time again. As I just mentioned, our share repurchase program, we've spent over \$503 million in share repurchases. 18% of the outstanding shares have been taken off the market since May 2007. We have a cash dividend program, and as I said before, we've reversed into a 5% index, but it's still pretty dog-gone good. You can put your money into Herbalife and guarantee a 5% yield at this point, at this price.

And we have a proven and committed management team to produce both the top and the bottom-line growth. I am -- I've been around a lot of management teams and I am particularly proud of this team. This is a really top-notch group of executives.

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So, why now in this company? The same headlines we've been reading for the last two, three, four, five years out in the world. There's a global obesity epidemic, and you saw in that one tape, and we were trying to show during the L.A. extravaganza. There was this big intersection out in the aisle, and I went out and stood in the middle of this intersection and said, guys, you've never been at a better time in this company. We are at the intersection of health and wealth. And this health opportunity that we have has never been stronger. It's never been better, because people want to try to figure out how to live longer. They want to live healthier.

People are unfortunately growing more obese in this country of ours, in other countries around the world. They don't know how to eat and they're not getting good nutrition products. It's a real shame that's taking place out there, but it's a real opportunity. We've got the right products at the right time to take on this global obesity epidemic.

Why now? The intersection of health and wealth. I talked about that intersection before. New jobless claims in the US for the week ended 12/6, seasonally adjusted, 573,000 people. This is 573,000 potential distributors for our company. It's the largest number since November of 1982.

You know those statistics better than I do. I'm just saying that when I keep looking at our company, that this tradeoff of calories, this opportunity for good nutrition and a part-time or full-time income for wealth, our Company is at this incredible intersection. What do we have to do? We've got to motivate distributors to make sure they're staying at that intersection, directing traffic.

The long-term issue may be with us for a while, this economic gloom and doom that we're in. But so many distributors, as I mentioned to you before, talked to me about the '80s and they said, Michael, this is the '80s. Again, this is the opportunity to build. We've got such incredible headroom in this company, the meritocracy of this company lives and is alive every single day. We have new distributors achieving new levels, and we'll show you that in just a minute.

We have more new Chairman's Club members in this Company every single year, which in a lot of network marketing, multilevel marketing companies, they say, well, that's the problem. You didn't get in early, so you haven't got a chance.

We do a new Pres Team dinner every quarter in Los Angeles. We bring new Pres Team members from around the world. And it used to be, when I was first in these meetings, it was always five to seven years to get to Pres Team. Now, we're starting to see three, four, five years. It's starting to angle down because so many of these Pres Team members are employing models inside their business, daily consumption.

Some of you have been to our nutrition clubs. You see what's taking place out there. You see them avoiding this economic crisis and they're almost immune to it, in some ways, because they have people showing up for a very inexpensive meal.

So, when you come at this intersection of health and wealth, you come to this unemployment, the biggest worry that that gentleman down in the left-hand corner has is jobs, is trying to get people out there. We have the solution to that. We have an opportunity, people are looking for jobs and we're there.

Confidence in our business, building opportunity, this is what we'll go on in the Wealth and Wellness Tour, we'll show people there's room at the top in this company and that this truly is a meritocracy. Your hard work and efforts are paid off in your royalty checks and then you're building a business organization on the retail margins that you get from our product. They're built in there every day.

Year-to-date, new sales leaders grew, is positive. In quarter three, we saw a decline of new sales leaders, primarily due to slower recruiting in Mexico and South America -- Mexico, Mexico, Mexico. We'll talk more about that in a minute. However, we continue to see an increased movement up our marketing plan and retention is strong as distributors advance, and that's natural. When distributors start advancing and gaining income, they're not going to go away because the royalty model pays them and they continue to be part of our process and our operations.

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Our penetration has improved, as I mentioned to you before, from 28% in 2003 to 41.5% -- I said 42%, almost 42%. I would expect further improvement in 2009 as we focus on DMOs, distributor methods of operation, that have proven to increase retention. So, more people moving up. We have an incredible energy that we put out in retention. That same energy is going to go into recruiting in 2009. 2009 is a year of recruiting for us. So, the value proposition for us, the healthy meal, very, very important.

Let's switch to the next slide, please. Here's the deal with us, and Amy told me this morning, so Amy, I'm going to make you part of the presentation, but both her mother and dad -- these are Herbalife stories, started on Herbalife, what, three months ago? Three months ago? Both have shed 30 pounds. Now, here's the deal with Herbalife. This isn't a magic bullet. This isn't a magic pill that you take. This is a good deal. It's a low-cost meal with lower calories that's highly nutritious, more nutritious than you're getting out of fast food, that you're getting out of instant coffees or the latte place. It's a better deal and we're giving you a better economic deal, too.

So, for \$1.43, I can put a much better meal in you than you're going to get at either one of those brand names on the right side. These [better] alternatives for us, and this is what we pitch in many parts of Europe. Russia is a very fast-growing market for us, and we talk about the healthy breakfast that you get from Herbalife.

So, the deal is we'll switch out calories for you. You get a little health and activity in your lifestyle, you're going to lose weight, you're going to come on Herbalife for life, and I love when they call it a meal replacement, because the meal you're getting on the right side is a much better meal, if you look at all the different dietary complements in there. It's a much better meal than the one you're getting on the left, with the muffin and the coffee. And a lot of people walk out of those shops thinking this is breakfast, and I've got something nutritious in me. They're just fooling themselves. They've got 1,000 calories and they've started the day out completely in the wrong direction.

So, here's the deal for us, and this is what we go out on these Wealth and Wellness Tours and talk to people about. You get in front of people, you can help them solve their personal issues in their lives, which are their health, their wealth. Their opportunity is real at Herbalife, and so that's what we go out on these tours and this is what we talk about. This is the opportunity that continues to make this company shine. There couldn't really be a better time for Herbalife.

We tell distributors, right time, right products, right price. They've just got to get right minded about it, and we will. So, the next thing, why now? Current economic slowdown presents distributors with an opportunity. I think we talked this one into the ground. During the last US recession, our volume points and net sales increased 4% and 7% respectively, pretty good numbers for us.

We can't predict how this recession will compare to now, but we feel our distributors have the knowledge and the tools to grow their business in this environment. Not necessarily counter-cyclical here. I think we might be resilient during this. I want to be careful with that, because the economic slowdown presents distributors with a unique opportunity. Direct-selling and MLM companies are counter-cyclical, which is a misperception.

Everybody's got a misperception that we are totally counter-cyclical. Our data suggest that the industry is not that much counter-cyclical and general direct sales performance follows the overall economy. For example, if economic growth is one percentage point above the average, real direct sales growth is on an average slightly more than 1% of one percentage point above average.

Recession years appear to be a little bit different for us. In years in which the economy has experienced a recession in any part of the year, direct sales have grown in the marketplace. In the period of 1987 to 2007 contains three recessions, '90, '91 and 2001. In all three of these, direct sales grew more than the GDP did. In two of these years, '90 and '91, saw inflation-adjusted direct sales growth in excess of 5%.

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Therefore, the industry appears to be in some degree of being recession proof as we mitigate the economic issues through great products, distributor engagement, which we talked to you about and we're going to continue to talk to you about, innovative sales methods -- the opportunity to bring more people in, and globalization of this company, which we'll see more at the end of 2009.

So, why now? The confidence and belief in our product. It's a healthy meal based on science, supports a healthy, active lifestyle that addresses personalization and customization and weight-loss programs and personalized nutrition. This is really a market opportunity for our company, possibly like no time in the past. We'll see, we're going to get there, we're going to focus.

Why now? Confidence and belief in our products, and you'll see 63% of our net sales come in weight management. We continue to focus on this global obesity epidemic. We hire the doctors and the scientists. We've clinically proved our product. We are going through a whole process of making sure that every single thing that we do inside this company has deeper and further substantiation for the distributors, for the web, for anybody in the science industry, anybody in the health community, to make sure that they understand what this company is all about and what we're doing.

We're reducing health care costs in our own company, and I think you saw that up on the chart there. We've had an enormous subscription to a new wellness program. Somebody told me 85% of our employees have signed up to lose weight, 85%. It's unbelievable. It's unprecedented, it's unheard from. I talked to other CEOs and they get these wellness programs going. They get 10%, 15%, 20%. We have a gym down at our corporate headquarters. We have people monitoring these people, working with them on their weight every week. It's really amazing what's taking place. Men's Health, just to throw a little plug in, named us one of the top 15 healthy companies in America last year.

That's a big change from the perception of this company five and six years ago, and we're very proud of it. What are we doing in product. Everything from repackaging to new flavors, to make sure that we're doing clinical -- we're working on introductions. We believe we may have something very interesting with satiety products, people, get them to stop eating.

The big problem with those satiety products has always been dosage. People take too many of whatever they are. We think we found something that's very unique in this market category. We're going to add onto Formula 1. The idea is that Formula 1 Shake becomes a core product and around it comes all sorts of additional products, whether it's protein enhancement, it's electrolyte enhancement, whether you're trying to add good carbohydrates to it, special flavors, all built around the shake itself.

So, we're going to stay at the 63% core of our business and continue to grow that model out to the club model. The daily consumption model becomes more interesting, more feasible and it is add-on products around it. Recent introductions, Niteworks is going out globally for us right now. You know Lou, Dr. Lou Ignarro won a Nobel Prize. This is the Core Heart Health line, the Core Complex line. We're continuing to expand that on a global basis and we're continuing to look at new products with Dr. Lou.

Best Defense, which is on all your tables -- this is a good time for you to be taking this, in the cold and flu season and when you're around people at a lot of meetings. It's heavy up on zinc and it's great for you. In future introductions, sleep is a huge issue, probably for you, as it is for me. But it's an opportunity -- sleep and weight loss run hand in hand with each other. A lot of people don't know that, but the better you sleep, the better your system metabolizes and you lose weight better, and so we're looking very carefully at a sleep line.

And Garden 7 for kids, and Garden 7 is one of these really interesting products for us. It is the phytonutrients of fruits and vegetables and we're turning it into a chewy and we're probably going to add one other product to it that's going to make it very, very interesting. So, we have an experienced nutrition advisory board, a Nobel Laureate in medicine, one of our 54 -- one of the 54 in medicine, which 24 are active and only ours is active in the area of nutrition. That's Lou Ignarro, and he's with us.

So, some other of our products, the skincare line, and I think we're going to have an interesting announcement about skincare probably two or three months just on what we're doing in that whole line in there. But we're also continuing to introduce new

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products through that line. It's a small percent of our net sales, but it's a great product for distributors to sell. It is a nice return for them. It is easy for us to move that product on an international basis.

And our energy and fitness line, which is Liftoff, which we just launched in new fruit flavors -- we have a tropical fruit and a cola flavor, with H30 Pro, which we just launched in Europe last year, and future introductions, we'll have a Liftoff powder.

We sell a consumer experience with testimonials that provide proof positive of our products, of a product outcome. So, once someone has lost weight, someone has gotten to feel better, sometimes off their medications, our distributors are incredibly good at upselling additional products, and this is what some of these products are for. And also, it fits our healthy, active lifestyle line, which is our energy and fitness and it sits around a lot of the branding that carries over into the clubs, about the confidence of the products, whether we're on jerseys or whatever. We'll come to more of that in just a second.

Why now? Incredible confidence and belief in our products from distributors. We just mentioned the distributor testimonials sell these products better than anything. You can see it on the web, you can see it at meetings. Our distributors -- our customers and distributors, they live by these testimonials. They know what these products do. They know how they help them change their lives, how your parents both lost 30 pounds on this product.

So, we're going to continue to invest prudently in these. We will substantiate our products. We're doing clinicals all over the world. You can see a list of many of these. We've got Niteworks, we've got meal replacement, we have satiety and weight loss going at the University of Germany. This is a different company than it was four or five years ago.

This is a company that's out there at the University of Mississippi, University of [Bonne], the University of California at Los Angeles, UCLA. We're involved in research, development of products, we have our own research facility now in our offices in Southern California. We have doctors dedicated -- this nutrition advisory board that's unlike any other company in our field. We meet with experts on a global basis to review, to study, to understand, to build confidence and substantiation in our products on a global basis.

Let's switch to the next one. Confidence in our brand and our image. When I talk to distributors, I always talk about four things, our products, our business opportunity, our brand and our image. And our brand is a combination of how our distributors act in the marketplace, how they treat customers, how they deal with new distributors, how they run their businesses. But our brand is also about getting us out into the overall global eye of the community, so that people can see us.

They see us around healthy, active events. They see our company reaching out into the community. They also see our distributors becoming more involved in marketing. And if we can turn every distributor into a marketing agent, we have this tremendous guerilla opportunity to become the best guerilla marketers on the face of the Earth, and that's one of my goals, is to not spend as much money on the big promotions. We've done a lot of them, they've been great. Now, let's take it more to the street level. Let's get involved in community-level activities.

Our distributors are picking up from us. The Subic Bay Triathlon that you saw on this, that's actually done by a distributor, not by corporate. That's starting to happen more and more. They're sponsoring local teams. They're getting involved in community activities, whether it's music, the arts, charitable foundations. It is the Peace Jam, which brings all the Nobel Peace Prize award winners together, was done by a distributor of ours, and now we've adopted it corporately, because it brings 3,000 kids from the tough streets together that Herbalife sponsors, and they all get Herbalife bags and products.

Who knows? Out of that could be a next President's Team member or Chairman's Club member. This happens not only with our branding, but with our image work inside the Company. So, activation ensures success, more materials on the Internet than ever before. Distributors can take this product and take the business opportunity locally, so we'd like to shift spending to distributors and focus on distributor activation in the marketplace. That's a reflection of our vision, mission and values inside this company.

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We've got one brand out there with millions of voices to it and we have a global brand that we've highlighted by sponsoring athletes, events and teams on a global, regional and local basis, and this really works well because it's a very inexpensive undertaking. With the exception of the Galaxy, all these are -- we're talking in the low costs of thousands here, okay.

So, these are our operational imperatives, which we talked about, and you saw some of the message that was sent out this morning. Protect our growth initiatives. Make sure we're investing, so we're looking to invest versus the distributors while creating a leaner operation. So, we're investing with the distributors, we're investing and hoping that the distributors will invest in their marketplace, which they do and do very well.

We are building on an infrastructure, as I said earlier, that will allow us to penetrate new markets in 2009. We're hoping to add Vietnam in the late quarters of 2009, which will be a big market for us and a big opportunity, but there's other ones out there, too.

We're constantly focused on a better business operating culture inside our company. We started our latest initiative, as I said before, before this big downturn happened. We are constantly streamlined, we're going to continue to do so. We brought in some terrific executives. I already mentioned Gerry Holly, I'll mention him one more time. This is the Nutrition Man of the Year a few years ago. He understands this business as well as anyone that I've ever seen in the supply chain management.

We sit in these product meetings and this guy's over there ripping off -- well, you can get that ingredient at a lower price over here at this manufacturer, boom, boom, boom. He's got it all in his head. We're trying to get it onto paper somewhere, but this guy is just this tremendous resource inside our company.

We're going to drive deeper penetration in existing markets through our commitment to this daily consumption models which distributors started in Mexico. We believe firmly that this is the footprint of the future for this company. Distributors believe firmly in it. They used it, this is a ladder for their success. It is a model that when adapted and emulated builds success and confidence in distributors to take further out into the marketplace. So, we've got a better business model today, tomorrow and into the future.

So why Herbalife? Why now? You saw it on the tape and I'll give you a little more of the corporate speak. In this building, as I said four years ago, we were three times earnings and less than half the P/E we are today, so today we're three times earnings, less than half the P/E. It doesn't make any sense. It doesn't make sense to me and I'm sure it doesn't make sense to you. With our P/E at all-time lows, we can manage the E, but we're going to leave the P to you guys. You'll figure it out, and you'll get us a higher P at some point.

Looking at our four-year stock chart, we are slightly above our IPO stock price. That's a shame, and with over two times reported earnings and free cash flow. That's good. We are a proven and committed management team. Hopefully, you'll see that today. You'll see that commitment here.

We had one management turmoil point last year and we slotted Des right in. It was a smooth, seamless transition, and I have a wonderful business partner and we've never been more focused on distributors than we are today in this company, and that is the most important thing any executives in a company like ours can say to you. Focus on where your revenue comes from, focus on your distributors and focus on their confidence in building their opportunity.

We don't need outside financing, which is great for us. Therefore, we are not at the whim of the credit markets to invest and grow our business. This business grows organically. Distributors pay us to join this company. I've been with the Company for a little over 5.5 years, and, frankly, I have never, ever been more excited about our future.

So, with that said, let me bring up my business partner, a guy who is just a great executive inside our company, fresh from Tenerife, so give him a little bit of jet lag room here, Des Walsh, our Executive Vice President. Thank you.

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Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

Thanks, Michael. So, good afternoon, everybody. It's good to be here with you today. I have to tell you that many of you who are used to being at Herbalife events will know that when we speak, we're used to people basically cheering, clapping, getting on chairs and waving madly, so over the course of the next 30 minutes, if any of you feel just an urgent desire to do that, please feel welcome to do that, okay, okay?

I have to tell you that it's good to see so many old faces here today, some of the people that I've known, although I should say familiar faces, not old faces. Excuse me. Okay. But for those of you who don't know me, I'm Des Walsh. As of next month, in fact, it will actually be my fifth year with the Company and obviously, those have been five astonishing years. I've actually been associated with Michael for almost 15 years. In fact, back when he was the head of Disney's Worldwide Video Operations, Michael actually bought a company that I had helped to co-found, and Michael often tells the story that as part of that, I actually came along with the deal. So, he acquired me as part of the deal.

The deal itself was a multi-million-dollar transaction. I think I came for a buck as part of it, okay, or maybe not that much, but I don't want to overstate my value. But, however, so 15 years' relationship with Michael, obviously a tremendous track record, but now obviously our mission is to do one thing and one thing only and that is to continue the remarkable track record over the last five years at Herbalife and replicate that in the next five years.

So, I get the question is why are you all here today, okay? I think one is you probably feel like this is pretty good place to come on a rainy Wednesday morning. I think another reason might be because you've heard we give out good goodie bags here at Herbalife meetings. But I think probably the number one reason that you came is you want to actually see, do we believe that we can accomplish growth in 2009, despite the turbulent economic challenges that face us around the world today?

And my answer is a resounding, in the words of Sarah Palin, you [betcha], okay? It might seem unusual to hear that with you an Irish accent, but you betcha, and here's why we are going to believe that, and what I'm going to talk about is the transformation that has taken place in our business over the last five years and why it is that we believe that that adds resilience to our business and will enable us to be part of the key reason why we're going to be able to achieve growth not just in 2009, but more importantly, solid, sustainable profitable growth in the years ahead.

As Michael mentioned to you, I have actually just come in from Tenerife, and in fact, over the last 30 days, I've been in Barbados, I've been in Europe, I've been in Mexico. I just missed going to Aruba and then in Tenerife, okay. Somebody asked me on the way in if I like my new job. Well, let me see? Barbados, Tenerife, Aruba? Yes, I guess I'm actually enjoying this new job.

But the primary reason why I've been so many places in recent weeks is because in all of those places, we've had leadership events at Herbalife. Now, many of you had experience our extravaganzas, where we may have literally anything from 10,000 to 20,000 people, but frankly, it's at the smaller events, the real leadership events, that we get the opportunity for real one-on-one relationships and conversations with our key leaders.

This most recent event in Tenerife was the first event of its kind in Europe, and it's what we call a Future President's Team Retreat. And as you know, in our marketing plan, our President's Team is one of the most aspirational positions in Herbalife, and we've got well over 12 -- approximately 1,200 President's Team members around the world, but reaching that level of highly aspirational, and this is an event for our Millionaire Team members to encourage them to take that step up to President's Team. And we had over 500 of our top distributors there, including, of course, or Chairman's Club, our top royalty levels, because it was they were hosting this retreat to encourage that next level to come up.

And I have to tell you, for me, it was probably one of the most inspirational meetings that I've been at, because for those of us that are sitting in the US and sadly listening to CNN or MSNBC or whatever our taste is and just receiving a constant diet of trouble and crisis and economic bad news, it was just a breath of fresh air to be at this meeting and to see how positive our

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distributor leadership is about the future. Because here's the thing that came through at that meeting and over and over again, is that these economic times are the perfect opportunity for us to bring people into our business.

And interestingly, I know that many of you were with us at the North American Extravaganza, which took place in October in Los Angeles, and I think some of you were there at our President's Team meeting, when we asked our President's Team, how many of them had actually come into the business during previous recessions in the US. And amazingly, because frankly, even we didn't know the answer to that question, from a show of hands, it looked that almost about 50% of our President's Team members, our top leaders today, had actually joined Herbalife during a time of previous recession.

And over the course of that meeting, we had heard some astonishing stories. Michael mentioned one of John Peterson. He and Susan Peterson were actually our number one distributors in the world for nine years in a row. But he actually joined Herbalife in the 1984 recession, because back then, he had a real estate business, and when interest rates hit 18%, that's when essentially his real estate business collapsed and he went in search of another economic opportunity, and that's when he found Herbalife and then went on to become our number one distributor in the world.

We heard another story of one of our S&P members, and she told a story about how literally on one week, her husband was asked to take a 10% reduction in pay and literally, later that same week, she showed up at her job to find that it had closed down overnight and there was simply a notice on the door telling people that all their jobs had been lost. That was the week she and her husband found Herbalife. And so, over the course of that weekend in Los Angeles in October, what we heard over and over again from our distributor leadership was the whole message that the time is right for Herbalife.

So, that's the message that we heard in Los Angeles then, that's the message that we've heard elsewhere. That was the message that I heard over and over in Tenerife, and that's one of the reasons why that we are so excited about the possibilities that lie in store for us. Are there going to be challenges out there? Could potentially we have issues in terms of retailing products? Absolutely. But in terms of the ability to bring more people into the business, we feel that the time has never been greater.

Let me pause now and let's look at the last 28 years in Herbalife, and one of the things that we should talk about is the fact that when we came into this business, one of the things that we were told was that, by definition, this is a cyclical business. And cycles happen in this business because we have new President's Team members who develop momentum, and once they become President's Team members, they've now reached the level that they've worked so hard to achieve, and so what happens?

They're now earning a level of income that they may never have dreamed of, and so they relax a little. And so when they relax a little, it's a bit like taking your foot off the accelerator. The momentum slows down. And then, the market goes into a down cycle, until what happens? The next level of leadership is coming up and that's what causes the momentum to rise again.

And so, that was the conventional wisdom about the nature of this business. But what we've been able to show over the last five years is that by transforming our business model to a business model based on daily consumption, we believe two things happen. First of all, we can accelerate that growth, because we're building growth based on consistent retail sales for long-term customers, and then secondly we are less sustainable to those reduction in momentum. Why? Because you've got a strong retail base of customers who simply keep showing up every day.

So, that's the theory and that is actually what we have seen now over a period of years. And essentially, it's driven by the adoption of three business methods, some of which I think you may be very familiar with, and others less so. The one I think that you're most familiar with is that of nutrition clubs.

So, let me just pause and say how many people here are familiar with the nutrition club model? Okay, that's great. How many have actually have been -- okay, thanks, Michael. How many of you actually have been to a nutrition club? Okay, okay, pretty inspiring, isn't it? Because you go to those clubs and what you see is you see long-term customers who have tremendous product results and what you also see is a consistency, because now we're tracking clubs that have been open for five or more years where literally you have customers who've been coming to those clubs throughout that period.

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The other -- another method of operation that we're seeing tremendous results is one that was developed by one of our Chairman's Club members and initially he piloted this program in Russia, and it was his effort to bring the concept of the nutrition club to those people who simply didn't have the time or didn't wish to go and attend a nutrition club every day, and that was a concept which we called the healthy breakfast. And the healthy breakfast revolves around a simple question to everybody that you meet, and that question is simply, what did you have for breakfast today?

Because when you ask that question, the typical response is, really nothing, or maybe it's coffee and bagel. Whatever the response is, then the distributor response to that is to explain why it is that breakfast is the most important meal and why it is that everybody should start their day with a nutritious shake, which provides them with the vitamins, the minerals and good nutrition that they need to get their day started off right.

But what it has done for us is that in certain markets, it has revolutionized our business, because now our distributors are not just looking for customers who need to lose weight, because by definition, in any particular group that may be a relatively small percentage. But the reality is that everybody needs to start their day off with good nutrition and a healthy breakfast. And by getting people on that healthy breakfast, what you end up with is you end up with a customer for life, as distinct from a weight-loss customer, who by definition may simply be on the product until they reach a desired weight.

So again, a simple distributor method, but one which is transforming our business in certain markets. And then, the last one that I would mention is one which we refer to as the weight loss challenge. And again, this is something that is now sweeping the country with extraordinary success.

For those of you who were in Singapore last year at our honors event, you saw that we trained on this briefly, but now it's something that is being adopted and I'll speak to you more in this presentation about that, but essentially, those are the three DMOs which are actually at the core of this transformation, and our role is to ensure that we actually acculturate and that we spread these methods so that they're adopted on an accelerated basis around the world.

But in summary, what is it that this transformation produces? It produces two things. The first is stable growth, and that's stable growth based on the creation of long-term customers. And the second thing is that it creates for us much greater penetration in our existing markets, and that penetration is achieved because instead of us selling a weight-management program or a nutrition program that may have cost \$150 or \$200 or more, what it's doing is it's opening up as a customer base to us a much greater section of the population and enable us to grow much deeper.

And obviously, we'll be talking more about that as we go through. So, let's take a moment now and let's look at this next slide. So what you see here, and I really draw your attention to the chart on the left. What you'll see is that in 2008 in the third quarter, we actually had seven of our top 10 markets in growth, and what I'm here to tell you is that we believe in every one of these markets, we're going to continue to see growth in 2009.

But also when you look at these, let me just point out to you that of those seven markets, you're going to see that in the US, in Brazil, in Taiwan and in Korea, and to a lesser extent, but also a certainty in Italy, every one of those markets is markets where we are seeing a significant shift to these daily consumption methods. And that's one of the things that tells us that obviously that these markets are likely to see consistent growth. Now, maybe that growth may not be at the same level as 2008, but we believe that there is a solid basis in these markets that takes us forward in 2009.

When we look at the markets that are declining, what we see is that in Venezuela, heavy recruiting market, Japan, obviously, a heavy recruiting market. There, we do not yet see the same extent of the adoption of daily methods and we see significant declines. And I point out to you Mexico, because clearly this is a daily consumption model, but despite all the challenges that we have in Mexico today, which I'll go into, what we're seeing is relatively modest decline.

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And let me go back to what I said at the outset, that remember, our goal as we see these markets switch to daily consumption is it increases the stability of the up curve, but that when we see a down curve because of a loss of momentum, that that down curve is much less than it has been in markets which have traditionally been recruiting and momentum based.

Let me go on and let's actually look at some of those markets individually, and first of all, let's look at the US. So, many of you remember that four years ago when Herbalife went public, there was considerable skepticism as to whether we could actually turn the US market around. There was a belief that obviously at that stage, being almost 24, 25 years in existence, that basically the brand was a tired brand, that the business was where it was and it was unlikely that we could actually spur growth. And yet, you look at that chart and you see that what we've seen since then is actually remarkably steady, consistent growth.

What brought that about? Primarily, one thing, and that is that you see there that it was in 2003 that we actually saw the introduction of daily consumption DMO. Essentially, that was the introduction of nutrition clubs from Mexico to our Latino distributors in the US. And what's remarkable is that if you look at the actual percentage of our Latino business, in 2004 it represents 37% of our total US sales. Now, 2008, 65%. During that time, our general market business, that is, the non-Latino business, has essentially been flat. So effectively, what we've seen is we've seen the Latinos adopt this method of daily consumption and the growth remarkable as a result.

And let me just tell you two stories that will help explain to you why it is that we had this extraordinary phenomena. The first story is a story of a woman called [Azalea Perez]. Azalea Perez came to the United States with her husband and two young children in the '90s, and they arrived in the US. Azalea couldn't speak English, and they ended up going to Indiana, because that's where her husband was able to find a job.

But literally within a few years of being here, unfortunately, Azalea's husband abandoned her, and now Azalea was left in Indiana with young children and frankly, almost no knowledge of English. She found Herbalife standing at a bus stop, because that's where she was standing next to somebody who spoke to her about the Herbalife opportunity. And she joined Herbalife, and over a period of years, she built a retail business that was netting her probably \$2,000 or \$3,000 a month, and that was enough for Azalea to build a business in the US and to sustain herself and her family.

But it was in about 2005 that Azalea heard about nutrition clubs, and Azalea adopted that business method, and within two years, Azalea became a new President's Team member, earning an income in the US of approximately \$200,000 a year. And the beauty about that story is that Azalea now owns a home in the neighborhood where she used to clean houses when she first went to Indiana. But what Azalea would also tell you is that her proudest moment is that literally this year, her son just graduated from -- I think it was DePaul University.

When Azalea came to this country and literally was cleaning houses, the likelihood that she would ever have had her children able to attend college was so far beyond her wildest dreams that she wouldn't even have thought of it. But because of Herbalife and because of the adoption, the blending of a method called nutrition clubs, she literally transformed her life.

Well, of course, what happens in our business is that what we do is that we highlight the successes of the stories like Azalea, and that's what causes other distributors, then, to adopt that business method, and that's what's happened consistently over the course of the year is these success stories.

And the other one I'd mention to you is a Los Angeles-based distributor named [Norma Anada]. And Norma was famous within Herbalife, because she had been a long-time Herbalife distributor, literally 15, 17 years in the business. But Norma was somebody who really had struggled. She'd been a millionaire team member literally for 10 years. And by the way, Norma was very happy with her life because she also had built a solid, sustainable business, but then Norma also decided she wanted to find out about the clubs.

She went to Mexico, she learned about the clubs, and she started training on the clubs in her organization. Her people adopted them, and within about 12 months, Norma went to President's team level. But here's the amazing thing. Norma didn't stop at

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President's Team member, because within six months, Norma not only became a President's Team member, and basically that means your organization is doing about \$200,000 in volume a month, but within six months, Norma went to 15K, which meant her organization was generating \$300,000 a month in retail sales.

Well, then, of course, it's a bit like the tipping point. When Norma was onstage at a training, even a local success training seminar, which we do all around the country, literally instead of 300 or 400 people showing up at those trainings, which is what we would typically have, Norma ended up having up to 3,000 people show up to hear how it is that she not just went from Millionaire Team member to President's Team but, most importantly, how she blew through that and went on to become a 15K member.

The result, of course, is what you see in that graph, widespread, accelerated adoption of nutrition clubs within our Latino community, based on those stories and obviously tremendous stable growth as a result. But here's the wonderful thing about Herbalife. Meanwhile, our general market distributors, they had not fully adopted nutrition club model, mainly because at that stage it was still perceived to be a home-based business, and within the general market, our distributors just simply weren't comfortable in inviting strangers to the home.

Well, what has now happened is on a worldwide basis is the clubs have evolved beyond the original home clubs and they are now taking place in rented establishments, for people are renting spaces and actually operating essentially the same business methods.

And our general market distributors have now adopted the commercial clubs in the US, and there are now several hundred of those commercial clubs in existence. And in fact, in January in San Antonio, we will have the first leadership event, where the bulk of our training agenda at that event is on how our general market distributors can open and operate commercial nutrition clubs.

And you look at that chart and we look at what's happened within our Latino distributor base with the growth of their home clubs, although now also the commercial clubs, and that's why we believe that the adoption of the commercial clubs within our general market can have a very positive impact. And even though the growth may be slow, we believe this gives us a very significant opportunity in the future.

And the last thing I would mention that really is what's driving our US business today and we believe will be huge in the future is the concept of the weight loss challenge. So, let me ask the question, how many of you are familiar with the television show, The Biggest Loser? Okay, okay, so for those of you who've seen it, it's quite inspirational, right? These people who frankly by and large are relatively overweight, and I'm trying to be kind here. Okay, they are relatively overweight. They actually participate in this contest.

Well, here's what actually happened, and again, it just is a huge testimony to the power of our distributors. Some longtime distributors in Hillsdale, Michigan, adopted where -- Michael, and Michael knows it well, because he's from very close to there. They actually decided to adopt the concept of the television program to actually an Herbalife environment.

And what they did was they created a 12-week program where they would literally put an ad in the paper and they would advertise for people who wanted to participate in a weight-loss challenge, and it's a fun event, because what happens is this. People literally put in \$29.95 to join, and for that they get to come for the 12 weeks, and at the end of the 12th week, whoever has lost the most weight based on the percentage of bodyweight lost, they get 50% of the pot.

Whoever's number two I think gets 30% and three gets 20%. I hope I got my math right, by the way, because I know you guys are all with your calculators there. But I think that works to 100%, but basically, that's what the program is. But you know what, it's a fun event, because during the 12 weeks, if you miss a week, you actually have to add \$5.00 into the kitty. If you gain any weight during the course of the 12 weeks, you have to add a \$1.00 for every pound you get.

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So, this is actually a fun social event over the period of the 12 weeks, and what happens each week is that it takes an hour. There's about a 30-minute weigh-in and recognition ceremony, and then about 30 minutes is devoted to training on a nutrition topic that's of general interest.

So, one could be on the importance of drinking water. The next week could be on reading labels in the supermarket. The next one is on eating out. So, the whole purpose of this is to ensure that people not only obviously experience weight loss, but more importantly, that they get education on how they should change their lifestyles in order to keep that.

Well, these weight-loss challenges, frankly, have just been extraordinary in terms of the success that they've had. Because, if you think about it, the four elements that are of the basis of success of the nutrition clubs, for those of you who've been there, you know that the product results, because that's the basis of everything, but the other three elements are the socializing that comes with people getting together on a regular basis.

The second is the recognition, because when people come to the clubs, they're being recognized for how well they're doing, the weight loss they're experiencing, and the third thing is the sense of community. Just by people getting together in those nutrition clubs, they're with friends and family, and so they like coming to those clubs. Think about it. The same thing happens in a weight-loss challenge over that 12-week period.

People accomplish -- they get the product results, but in addition, they get the recognition that comes every week from being applauded and cheers for how well they're looking, the weight they're losing. But over that 12 weeks, a sense of community develops, because people are coming and sharing their stories of friends and families, things that are happening in their lives. And lastly, there's that socializing that takes place.

So, here's what happens -- in rural and in city communities throughout the United States, we have these weight-loss challenges, and at the end of 12 weeks, guess what? People say, I want to come back next week, because you know what, for 12 weeks, from 6.00 to 7.00 or 7.00 to 8.00, they've been showing up ever week. That's become part of their social life now, and so this is a phenomenon that is actually spanning the country.

And I spoke just a few days ago to one of our most senior distributors in the US who sent me this e-mail saying she had never been so excited in her -- I think 18 years in Herbalife, because over the course of her weight-loss challenges, and by the way, she has three going simultaneously in Steamboat Springs, Colorado where she lives, and she's now become known as the weight-loss challenge lady in Steamboat.

But during that time, from here weight-loss challenges, she has actually signed up two distributors and two supervisors, people who've been coming to her challenges and who now want to do the same themselves. And she has generated over 70,000 volume points just from the weight-loss challenges that she is doing in Steamboat Springs.

So, this is something that is now being adopted not just here in the US, but which we are now spreading on a worldwide basis. We've created a whole series of manuals and tools and training programs and DVDs and videos to support it, and now we're spreading it on a worldwide basis.

And as Michael mentioned, in January, we are launching a program in the United States where we were going out with a 1 million pound weight-loss challenge, because frankly, what we want to see is we want to see 4,000 of these happening all over the US, because on average, people at these weight-loss challenges lose about 250 pounds. Not individually, by the way. That's collectively, okay, just in case -- so you see 4,000 people, 250 pounds, that's a 1 million, right? I did get my math right again? I just wanted to keep checking.

So, there's a 1 million -- but here's the thing. A number of months ago, the President of Mexico in one of his addresses spoke to the Mexican people and said, guys, we're getting overweight. We have a national obesity problem in Mexico. And he challenged the Mexican people to effectively lose 1 million kilos, 2.5 million pounds.

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So, here is our logic. What we want to do is we want to start going to communities, not just in the US, not just in Mexico, but all over the world, to talk to mayors and community leaders and say, we have a challenge in our town, in our city, in our community, and Herbalife is the solution, because we believe that we will receive a ready audience from companies, from city governments and from national governments who recognize they've got an obesity problem and that Herbalife is the solution.

So again, this is a method whereby we are reaching out to people in communities all over the world, going far deeper than ever before, with a message that is based on solid science, but built around elements that we know create sticky customers. And sticky customers, because it's not just a product result sitting at home, but it's a product result supplemented by recognition, socializing and that sense of community. And that's one of the reasons why we're so excited about the weight-loss challenge and what it will mean for not just our general market business in the United States, but also as we spread and this is adopted on a worldwide basis.

So, again, that's our story in the US. Let's go on, let's talk about Brazil. So Brazil, as you all know, was one of those markets that actually was actually a real challenge for us, because we actually -- literally, beginning in Q3 of '06, we actually saw this significant decline, and many of you had expressed reservations on the calls about what we were going to do in Brazil because, obviously, as our number three market, this is a very significant market for us.

And what we told you at the time was what was causing that what was causing that decline in Brazil was this switch from a recruiting market to a daily consumption market, and, again, understandably, there was some skepticism there, just the same sort of skepticism as we encountered four years ago when we spoke about the growth in the US business.

But now look at what has happened in Brazil, because, essentially, when you switch from a recruiting market, and Brazil was one of the strongest -- in fact, Brazil, one of the strongest recruiters markets, but, sadly, one of the lowest retention markets. We were actually retaining just about 20% of our supervisors each year in Brazil, compared to our worldwide average of over 40.

But now, we see what has happened when you see the daily inflection point when daily consumption kicks in. And now what we have in Brazil is instead of a declining market, we have a market which is based upon solid, sustainable growth. And here's an interesting thing, because one of the things that we're tracking now is where is the inflection point? Because we look at the Brazils, and now we want to look at other countries, and we want to try and see, where are we in that curve, so that it helps us predict where is the likely upturn going to come.

And one of the other countries which, frankly, a very heavy recruiting country, very low-retention country is Portugal, and what you can see in Portugal is that following the introduction of the club there, we're seeing a similar trend, because obviously what we're doing is we're swapping a 4,000 volume point order, if I'm recruiting a new supervisor every month, for maybe a 1,000 or 1,500 volume points if I have decided to operate a home nutrition club.

So the revenue, or the financial award for the distributor, by the way, is roughly the same from both, but for us it's a significant loss in volume because we're going from 4,000 to 1,000 or 1,500. The upturn, of course, that you saw in Brazil comes from the fact that once you get in a certain number of bases, now you have the organic growth that comes from customers of nutrition clubs saying, wow, this is something that I can do, because there's nothing strange or magical about it.

It simply means opening your doors and inviting neighbors, friends and family to come to your club every day, and that's how a club organically gets started. So, as we look to Portugal, what we believe is that at some stage in the not-too-distant future we're going to be seeing exactly what has happened in Brazil and we're going to see an upturn in that market, also.

But let's continue and let's talk about another of the huge success stories, and that is the story of Taiwan. So, Taiwan has always been a remarkable market for us. In fact, it's probably one of the strongest MLM markets in the world. And you'll see that in Taiwan, what we have is we have tremendous growth in the early 2000s, and one of the things that drove that growth, of course, was the expectation of opening in China. Because, from a recruiting perspective, what a great story that is.

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You get onboard, get to learn the business, and then we would take advantage when China opens. And obviously what we did there was that actually we can pinpoint the exact date, because, in 2005, we actually took a President's Team member from Mexico, called [Baruk Gonzaga], who normally lives in Acapulco, and he actually came with Jack Kavulich and they went to Taiwan and they trained on the commercial clubs there. And you can see there the same type of thing happened. We had a group of leaders who switched from traditional recruiting business and they adopted the club.

And again, you see the same type of curve exactly, where we gradually have this adoption and then, again, Q3 2006, that's when you literally have the situation where we have this tremendous growth, and, actually, just about a month ago, Jack Kavulich had promised that he would go back to Taiwan when Taiwan achieved their 1,000th nutrition club, and, sure enough, in October this year they celebrated their 1,000th commercial nutrition club and there was a tremendous celebration.

But let me point to one thing, and that is that I said at the outset that this switch to a daily consumption model had two benefits. One, obviously, with strong, stable growth, the second with increased penetration. And you've seen that in various other markets, but let's look at just Taiwan, because the numbers in Taiwan are truly extraordinary.

So, this has always been one of our highest penetration markets in the world, and you'll see here that at the inflection point, which was back in 2006, we had actually volume points per capita of 4.66 pre capita. Now, Q3 2008, 6.47. So frankly, in a market which by any normal standard would have been regarded as saturated, what we have seen that as a result of the adoption of a daily consumption model, we have been able to literally grow that by effectively 50%.

So now, let's look at another country and that country is Korea. Really interesting story here, because frankly, Korea, again, a very successful, strong recruiting country and Korea was one of those markets where they said to us at the outset, guys, we have absolutely no interest in nutrition clubs whatsoever. Because, from their perspective, they had a successful method. It had been in operation for many years, and they didn't want to change. But, of course, as always happens in Herbalife, people follow the money. And of course, once Korea experienced and saw what was happening in Taiwan, then we were able to get a group of the Korean leaders to go and to tour the clubs in Taiwan.

We introduced a training program in Korea for those leaders returning and, of course, you see the results. What's interesting is that in Korea, unlike other markets, we didn't really see any reduction in the traditional business, and, frankly, what we are now trying to do is to learn from that so that as other countries adopt the nutrition clubs that we're able to get a smoother transition from our traditional business to daily consumption.

What you can see are tremendous growth and here's, again, one of the wonderful things about Herbalife is this. The Koreans set themselves a goal that they would actually surpass Taiwan in terms of the number of their clubs and the growth of their market. and both in Taiwan and in Korea, the overwhelming majority of our nutrition clubs are actually commercial nutrition clubs. They're not home clubs, they're commercial clubs, because, again, just like the general market in the US, it's not culturally acceptable in Asia for people to invite strangers to their homes.

So, essentially, these are clubs operating out of rented spaces. But, in Korea, because they wanted to have massive replication and to increase the speed with which the clubs evolved, what they did was they got together and they said, guys, let's trade on the fact that when we open a new nutrition club that we don't spend more than \$5,000, or the local equivalent, in setting up that club. And their logic was that by keeping the investment low, to where essentially five distributors get together, they all threw in \$1,000, they can now fit out this premises with tables and chairs, the shake machines, everything that you need to operate a nutrition club.

By keeping that initial cost low, what they have been able to do, of course, is to actually achieve an accelerated adoption of the club. And, at the time that this slide was made, we spoke in terms of 500 clubs. We actually had a new President's Team dinner, which we now on a quarterly basis, where we bring in our new President's Team members around the world. We actually had two new President's Team members in the last 30 days, one actually for our new President's Team members from all the world, excluding China, and then we had a special dinner for our group from China, where we called them a product ambassador.

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But at our general market President's Team dinner, no surprise, I sat with the Koreans, right? Okay, because, frankly, when you see that sort of growth, I want to get in detail what's happening with these guys' business, and the stories that I told you about Azalea Perez and about Norma Anada, remember, they were two of the key leaders in the US who had sparked that tremendous growth because of their examples.

Believe me, these stories from Korea were just as inspiring and impressive. Time doesn't permit, but afterward I'll share. I mean, the stories, just amazing stories, but here's the one thing they had in common. Strong -- in two of the three cases -- by the way, remember, three new Korean President's Team members in one quarter. Two of those people longtime distributors, longtime Millionaire Team members. They adopted their clubs and within a year they became the President's Team.

The third one had joined Herbalife and literally, within three years, had become a President's Team member based on adoption of the clubs. And again, their message was this issue of consistent retail business that had driven their growth.

So frankly, Korea, obviously, tremendous growth, but again, let me point out to you the volume point per capita. That the inflection point, 5.94 volume points per capita. Again, one of our highest and now, again, continued growth. So again, the same message not just strong, consistent, stable growth, based on the long-term customers, but increased penetration because now we're able to reach out to customers that we could never have reached out to before.

So, lastly here, let me talk of Mexico, because obviously Mexico is where the nutrition clubs all began. I think many of you will know the story of [Enrique Cella] and [Celia Barella], longtime distributors who struggled with the fact that in Zacatecas, Mexico, it was only a small percentage of their population who could afford \$100 or \$150 for a monthly program. And so it was that they developed the concept of the clubs, where people would come on a daily basis and pay a daily membership fee and in return for that daily membership fee, they would receive a shake, an aloe and a tea.

That was actually what developed its concept and what they found is that because they were now offering the product on a daily basis, the percentage of the population in Zacatecas, Mexico, who could afford to become an Herbalife customer just went off the charts and, of course, the rest is history.

During that initial period from 2000 until 2003, frankly, the Company was supportive, but was unsure as to whether this was a business method that we were going to support. It was actually in July 2004 that we finally gave this our blessing and that's in addition when not only we gave it our blessing but we decided that we wanted to expand this concept on a worldwide basis.

That's when we took Jack Kavulich and we created a new position called Vice President of Business Development, and that Jack is responsible now for the spread of daily consumption, DMOs, throughout the world. And obviously, once we supported the concept, create the marketing tools, create the promotions, create the variety of things to support this, then we see literally that we have Mexico actually literally treble in volume over a period of three years.

Volume points per capita, again, remarkable, because we went from 1.72 volume points per capita at the time of the inflection point to where we are today, to 5.08. And this is in a market, by the way, where traditionally, 90% of the Mexican people could not have afforded Herbalife products under our previous business model, but now that problem is solved and look what you have.

But here's the other lesson from Mexico, because you remember I spoke about the fact that one of the challenges of this business is you've got this momentum, and where you have momentum, you have growth. Where you don't have momentum, you have declines, and traditionally, in our business, those times have been dramatic. So you look, for example, at the Germans and you look at the Japanese, this really, over a period of time, Japan at one stage was our number-one market in the world. Now, literally, it's probably a fifth or a sixth of the size that it was then. You see the Germans that literally probably are now about a third of what they were.

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You see what's happening today in Argentina. In the traditional MLM business, when you lose momentum, the effect, frankly, tends to be dramatic. And one of the challenges that we set ourselves five years ago was to mitigate that, to see what we could do, so that even in markets where we lose momentum that we're either able both to shorten that down curve, and then most importantly, to take it out faster. And so in Mexico you see here that obviously Q3 2006, Q4 2006, that's when we hit our high point in Mexico, and let's look at the decline that has happened since then, because we have had issues in Mexico that have impacted our momentum. Partially, distributor leadership.

Frankly, we have more President's Team members in Mexico making more money than they could ever have dreamed possible. When that happens, they take their foot off the accelerator a little, and their momentum slows down. We frankly also had some infrastructure issues, where, frankly, the growth in our business outpaced our ability to effectively service. And the third issue is that we had some ethical issues in terms of cross-line selling because we had so many new people coming into the business that didn't understand why it is that we had certain rules in place and therefore didn't observe them.

But you look at this chart and what you see is that in the first quarter of 2008 we actually had decline that was literally just represented 2.5% over the previous year, nothing even close to what we traditionally see in declining markets. Then, in the second quarter, we actually were back in growth again, 1.2%, over a period a year ago. So, what you can see in Mexico is, yes, we had declining momentum, but literally leveling off.

And then, as you know, unfortunately in Q3 we actually had this VAT ruling that went against us which actually caused us to increase the price of our products in Mexico by 15%, and clear that had an impact now in our third quarter, where we actually had this decline of minus 8%, and then of course in Mexico we have the double whammy, where not only do we have a price increase, but also because of the US recession, we have less dollars flowing from Mexican people in the US flowing back to Mexico, which is a major part of the Mexican economy.

So, we have a combination of factors that are impacting our business in Mexico, but here's the message that we should take away from this. If this was a traditional Herbalife market, prior to the adoption of daily consumption, then, frankly, based on our experience with what happens in markets like the Japans, the Germanys and so on, we would be seeing a drop there that would be many, many times what we are seeing in Mexico today. And that's the other reason that gives us confidence about what this shift to a daily consumption model means.

And I guess the last thing that I would mention in Mexico that is frankly a huge source of inspiration to us and it's this, a number of years ago we actually lost one of our Chairman's Club members in Mexico who died in Mexico. And, traditionally, when an organization loses its leader, it actually has a very detrimental effect on that organization, because that is the leader that has really been driving others in their organization to achieve the next level. They've been the motivation and the inspiration behind that organization.

Amazingly, in Mexico today, the distributorship of [Eduardo Salazar], which is now actually held in trust for his three minor children, that distributorship has grown every single year since Eduardo's death. And what tells us is that it's another astonishing testament to the actual power of a daily consumption model, where it is literally based upon the stickiness of customers who show up every day and were frankly the driving force of the organization head is less of a factor in that success.

And again, it's an indication of the resilience of this as the impact of daily consumption on that market. So now, very briefly, some other markets in transition. So we've spoken really briefly about Portugal before, clearly obviously a market in decline, but based on what's happening in Brazil, we actually have the same Chairman's Club member, ironically, who's responsible for Portugal as we do in Brazil, obviously joined by a common language.

Excuse me. Turkey. Turkey was actually one of our strongest recruiting markets, again, very low retention rates. We now have the clubs adopted there, and we think we're going to see very positive things in the future. Russia, frankly, one of our success stories.

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This was a market who many years ago was a huge, huge market for us, went through a significant decline, but obviously the adoption of the healthy breakfast market is now actually restoring that, and we believe that next year we're going to see not just Russia but also the CIS countries, the former Soviet Union countries, be a major contributor to growth, along with other parts of Eastern Europe and lastly, of course, there, Argentina. Again, very, very heavy recruiting market.

Ironically, the leadership in Argentina, alone in all of South America, had completely rejected the introduction of nutrition clubs. But now, based on where that market finds itself for the first time, the leadership in Argentina are now participating in visits to other countries so they can learn about the clubs and adopt them and incorporate them into their markets.

Let me just speak very briefly upon China, because I know that China is also a market that's of interest to you, so basically we have now completed what we refer to as phase one of our China business. So during phase one, our primary goals were obviously to license the products with the marketing, put our management team in place, get license approval and build the store infrastructure.

That, successfully, mission accomplished. Now, obviously, we're onto phase two, and in phase two, just as in our other markets, our primary focus now is balanced growth. Because what we don't want in China, what we've had in some other historical markets, where we have seen tremendous growth but not based on a firm base. And so our focus now, frankly, is the interruption in China of business methods which we know will lead to strong retailing, because from that strong retailing we believe it will come the foundation that we want to see there.

So, one of the things that we are doing in China is that we have applied for additional direct-selling licenses. But, most interestingly, we're about to introduce what we refer to as an authorized retailer program, or a sole proprietor program. The benefit of this is that it will bring certain tax benefits to individuals who receive this designation.

But most importantly, what it will mean is that somebody who is designated as an authorized retailer will then be able to open up their own commercial nutrition club, and we have a pilot program going on that in China today, which has been very successful and, again, one of the things that we believe will result in very strong, stable growth in the future.

But again, we remain cautious about China and that continues to be our message because obviously there are many anomalies and different things about the market in China, but we just want to share with you what is our philosophy and our commitment to stable growth in the years ahead.

So, the last thing I would want to talk to you about is just to give you some indication of what the impact will be from the transformation to daily consumption in terms of the future potential. So, you look at various markets and you'll see that in 2009 we do plan to open up a number of new countries. We have Vietnam, Paraguay, Uruguay, and obviously we're looking to Africa and Middle East in 2010 and beyond.

But in terms of our existing markets, we have many markets where we are very much under-penetrated today. If you look at the chart on the right you'll see that our company average is solely 1.09 volume points per capita. You look at that chart and you'll see that we have many of the ones we've spoken of earlier where we have tremendous numbers. You look at Taiwan and you look at we could achieve the average volume points per capita around the world that we have in Taiwan, we literally would be five times the size that we are today.

But let's scale that back and let's look at what would happen if we could just get the other countries in the world, excluding China and India, just to achieve our worldwide average. So, just to achieve the worldwide average, then what that would mean is that would generate simply 38% in our growth. If you actually include China and you assume that we can get China, as well as the rest, to the same average that we have today, it would result in 86% growth.

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And remember, that's only getting the rest of the world and China to the same average point per capita that we have in the world, which, as you know, is 1.09. And, for us, that's one of the things that tells us that literally we are just scratching the surface of the potential that lies ahead for us.

So, let me close with this one comment. A number of years ago, Oldsmobile launched this program whereby they actually -- which was called this is not your father's Oldsmobile. I'm not sure how many would remember that program, but essentially what they were trying to do was to actually convince the American public that something different had happened in Oldsmobile.

I'm not sure how successful they were, but the one thing I think we can all agree is that something different has happened in Herbalife and that this is not your father's Herbalife. You saw at the outset of this presentation the tremendous impact in terms of our brands and our image around the world as essentially Herbalife is being transformed from an old company into a hip, cool, brand today, associated with a healthy, active lifestyle.

But the other thing that has happened is this transformation of our business from the business that was based on heavy recruiting, on the hype of getting rich, on the traditional things that people associated with traditional MLM companies and now we've become transformed into a company where in many countries we now are a healthy nutrition brand with a strong business based on creating long-term customers. And I hope that what you take away from this presentation is simply two things.

One is that what that converts to is stable, profitable growth, less susceptible to the challenges that we're having today and may have in the future in terms of economic challenges, because of that stability, and then secondly, that that change results in the opportunity for greater penetration than we've ever accomplished in the past and the impact of that can be in terms of growth not just in 2009 but, most importantly, in 2010 and '11 and '12 and so on.

So, that's the message today, Herbalife, a new company, a changed company, a company transformed by the adoption of daily consumption. And now, with that, let me turn it over for the final segment of the presentation to our Chief Financial Officer, Rich

Rich Goudis - Herbalife - CFO

Des, thank you very much, very nice job. So why don't we do what they do in the baseball games right about now. Why don't we have a seventh inning stretch? Why don't you stand up, even though we have Red Sox fans, Yankee fans and Met fans, you can do it together. We won't play Sweet Caroline, Scott. But I want you to stand up and stretch your backs so you'll appreciate this moment.

We are heading to the conclusion of our day. While you're doing that, let me start with setting up my section. I'm going to reinforce some of the comments that both Michael and Des made and then, more importantly, talk to you about what we're going to do to achieve our EPS guidance that we gave you over a month ago now.

So, first, we heard from Michael about our distributors' success in the past economic slowdowns. You actually saw the video clip of several of them speaking specifically about that. What we're doing about it, both in the near term and in the long term, to ensure that our distributors are excited, engaged and also Michael's outlook for growth in 2009.

We just heard from Des, the focus of our company next year will be acutely focused on supporting activities and investments to help our distributors embrace this daily consumption model. Why? Because at the end of the day to them they are building a more profitable business for themselves, a larger annuity.

Now, what I'll do is I'll take you through over the next few minutes a look and a review at our historical financial performance, talk to you a little bit about our business model and how we think about leverage in this business, talk to you about the cash

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flow characteristics of this company, even in the softer economic times that we're currently in, along with the levers that we believe are at our disposal to deliver upon our EPS guidance.

These are historical financial numbers, which you all know and are hopefully comfortable with, so let's start from the top and walk our way down. Revenue and EPS, the CAGR over the last four years, has been both 18% and 48%, respectively. I think this reflects what Michael talked about earlier, which was leveraging our business during a period of growth.

At the same time, I think it also reflects the tax benefits reflected in the tax planning that we put in place, starting in 2004, and these are permanent benefits. Our operating margin has expanded, as we've been able to leverage growth in the business while investing significantly in growth initiatives, branding initiatives and also building our infrastructure.

Most importantly, I think here, is the retention of our distributor organization has also improved significantly, from 28% in 2003 to over 41% last year, reflecting the strength of our daily consumption DMOs, and this makes us also less reliant on new people coming into the business for growth. I think that's very important in this business.

The Company continues to deliver free cash at approximately the level of net income. While we don't guide for free cash flow, think if you look at this historical presentation, you'll come away with the same look we have, which is, effectively net income is a good proxy for free cash flow in this business.

And then lastly, as Michael updated you early in the presentation, since we started our share repurchase programs in May of 2007, we purchased back nearly 18% of our outstanding stock at that point in time and we also introduced a \$0.20 quarterly dividend, which today, given today's prices, is effectively a 5% yield.

When we went public four years ago, I think this was a Company that people had different historical perspectives on, how the business was managed, the predictability of the business, as well as the new management team that was bringing the Company public was unproven and untested in a public environment.

I think if you look at the results over the last five years, you can see both top line, that Michael and Des are both growth-oriented people. The success that Michael had at Disney was effectively building the Buena Vista Home Video business, and Des participated in that, along with several other of our key executives at Herbalife. Michael sets the tone for not only the Company, but, more importantly, for independent distributors, that there is room at the top, that this is an aspirational business, and he paints that picture with kind of dreamy type of goals.

If you went to one of our distributor events over the last year, you heard the big goal internally for distributors is to achieve \$5 billion in retail sales. And mobilizing great ideas I think is one of the things that Michael has brought to this Company and Des nurtures every day along with our senior sales and marketing team, bringing great ideas like nutrition clubs that you saw so predominantly in Des's last section, but also now the weight-loss challenge. A couple of years ago, it was a program called the Total plan. What we do really well is we look at successful distributors, especially those distributors who are having success in down markets.

We find out what they're doing, how they're doing it. We internally call it, we validate their business model, if you will. In our vernacular, we whitepaper that methodology, and then we start the process of educating and training, creating awareness for those concepts and allowing distributors around the world and even in the same markets, allow those distributors to know what is going on that can help them be more profitable and build larger businesses.

Engaging distributor leadership, by providing that lofty goal of \$5 billion, is very aspirational, and in this business I guess the one great thing about our company is whenever we go through downsizings like we just did, we never touch our sales force. we never touch that distributor organization, and they are a highly entrepreneurial, gifted leadership group that drives this growth around 70 markets.

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And then, all of this on the top line converts of free cash as an important aspect of our business model, which many investors I think over the last four years, given the top-line growth, often mistook or didn't really consider the free cash flow generation of this business model, the stability of it and the predictability of it. I think more people will pay attention to that, given these economic times, given the credit crisis, et cetera.

This chart you see now for the third time, the chart on the left, just a few points that I want to reiterate. Following up on the slide that both Des and Michael shared with you, when we look at our top 10 markets in the third quarter, we firmly believe that these same seven markets will be growing this time next year in 2009.

At the same time, we think that those same three markets that were declining in the third quarter will also most likely be declining year to date through the end of next year. As this group of countries represents 70% of our net sales, it's important that we focus intensely on their performance. Des walked you through many of those initiatives.

That's why Michael and Des discussed these markets, the promotions, their activities, and we spent a lot of time doing that today. So I think the question is for a lot of folks in here, is, well, if you're guiding down in the fourth quarter for revenue, how is it that you're going to turn this business around and grow in 2009?

And I think whether it's markets like Mexico that we expect will strengthen as we anniversary the VAT in August, or Venezuela and some of the South American countries, which we expect to start to anniversary a couple price increases that were lofty in the first half of the year, that they will have more of a back-end growth orientation, or even EMEA, our European market, where we're getting good growth in some of the Eastern countries, like Russia and Poland, but we expect that the Central European and even some of the Western markets will start to either decline less or grow more.

And then, lastly, entry into new markets, specifically Vietnam, and that's what we've publicly been out there saying that we're going to open up Vietnam in the fourth quarter of next year, which, given the success that you just saw from Des with markets like Taiwan, with Korea, I think that sets ourselves up for also having initial strong success in a market like Vietnam.

Let's talk about foreign currency. I think a lot of people lost sight of the fact that 80% of our sales are derived outside the US when the dollar was weakening over the last two or three years, and acutely over the last three months I think people have realized that we have exposure to foreign currencies.

The two single largest currencies that weigh into our bottom line are both the Mexican peso -- Mexico is about 17% of our sales -- and the euro. The European business, as a total, represents about 26%, 27% of our business. So let's take a look at the top line and let's look at -- if you can't read it on the screen, you can look at it on your slide. But let's take a look at the peso. A month ago, we were at 12.83, and today the dollar has strengthened against the peso, where it's now 13.27.

Look over on the far right and you can see what the banks are projecting to be, the high and the low of the range, over the course of the next four quarters. Similarly, with the euro, now, if you remember when we initially guided, we had the spot rate of the euro at \$1.33, and that was contained in our guidance in early November. As Michael mentioned, when we spoke to the Board just last week, we had a spot right implicit in our budget of \$1.30, and today we're sitting at about \$1.37.

So the euro has weakened to \$1.24 about a month or so ago and it seems like it has hit bottom and I don't know what the Fed did today, if they reduced the rate by another 50 basis points, but we believe, when you look at the very far right here, what the banks are projecting, is anywhere from as low as \$1.07 to as high as \$1.53. But, more importantly, our goal typically is to hedge about 50% of our net income exposure on an annual basis.

We typically do this on a rolling quarterly basis, and we're essentially locked at about this time of the year, once we've concluded our budget process, management incentive compensation target is typically contained within that initial EPS guidance, and you can look back at the last couple of years of our proxy and our [CD-8] to see exactly what those numbers were.

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So, it's important for us to at least put in place hedges that will mitigate the volatility that may come from movement in currency. But if you look at the bottom slide here, bottom part of the slide, and start on the very far right and let's take a look at the Mexican peso, in both 2006 and 2007, the volatility throughout the course of the year was 7%, respectively.

And if you walk across from right to left, you can see that within the last 60 days, that volatility was 37%, 23% in the last 30 days and about the same level of volatility in the last month. Similarly, with the euro, both in 2006 and 2007, the volatility was 7% and 8%, respectively. In the last 30 days, it was 20% volatility. And it's very difficult and also expensive to try to layer in hedges during this period of abrupt volatility. And when we speak with most treasurers that have the global exposure we do, most people are kind of sitting on the sideline, waiting for this volatility to settle down, and we're taking a very prudent course of action and doing the same.

But, as this volatility settles down, we'll continue to monitor this marketplace and layer in hedges like we have done currently and in the past and try to hedge at least 50% of our net income exposure. Now let's take a look at our restructuring statement and really look at our model and this is a slide that we've used in the past. So, as a frame of reference, on the left-hand side, this is retail sales in 2007 of \$3.5 billion. The net sales were \$2.2 billion.

Of our net sales, we believe that 73% of our business or our cost structure is highly variable. Our royalties that we pay distributors, about 36% of sales. Our product costs, 21%, and distributor-facing spending, which is sort of sacrosanct. This is what Des mentioned earlier, and Michael. This is the last area that we want to touch as it relates to trying to leverage our margins.

In fact, if anything, what we try to do is over-invest in this area because we do believe that complementing our royalty expense with very prudent incentives and promotion can actually drive incremental ROI on the spending. So, when we look at our essentially fixed overhead, and fixed is relative depending on what time horizon, we look at 12% of our cost structure being essentially fixed. And what we announced on Friday, or we started the announcement on Friday with our home office announcement, we follow it up on Monday with announcements worldwide.

We've taken about a third of that cost reduction or the restructuring program we just announced. About a third of that comes out of the home office. Essentially, this is delayering and taking out levels of the organization, so, as Michael said, people with stripes on their shoulders.

Also most importantly, I think, was taking work out of the business. And, as many of you know, if you've been in downsizing modes before, the worst thing is almost to be the survivor, right, because typically the work stays the same, the workload goes up for those people who remain, and I think we did it very, very intelligently, where we try to take work out of the system.

Michael mentioned that this program started in August. It is meant, actually, to be a proactive way, if you will, to create a profit assurance plan as we headed into 2009. What it actually became was a necessary step and a little bit deeper, to ensure, given where we've seen currencies move recently, as Michael opened up, also, if we assume a lower end of the guidance range for volume, what we need to do to ensure that we can deliver that \$3.00 to \$3.20 in earnings.

Beyond what you see here for the restructuring, I truly believe that there is more cost if we continue to see, let's say, negative trends in some of our larger markets. I also know what is excluded from this is in the middle of the page there, in that product cost, we have quite a comprehensive list of initiatives, of cost-reduction initiatives that we're going after to try to reduce our landed cost on our products. Now, given our inventory turns and given the time to work some of these through the system, we do not include any of these cost reductions in our guidance.

At this point, I take that as the CEO prerogative to have some cushion here, but as a culture we're trying to create within Herbalife that has historically been very sales and marketing oriented, very distributor facing, and we haven't really had that mindset that many of you might know from the larger packaged goods or consumer product companies of operational excellence and lower landed cost. And we're trying to change that culture while still maintaining that intense focus toward distributors, that excellent experience for distributors and that aspiration.

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Beyond the restructuring program that was announced today, we will continue to monitor our cost structure as it relates to market by market performance, taking prudent actions to invest in markets that are accelerating beyond our expectations, while at the same time removing costs from those markets that potentially don't perform to our expectations.

So from this point, again, what can go wrong? We guided a month ago at \$3.00 to \$3.20, so what could possibly happen in this crazy world that we find ourselves in? Could volume essentially be flat next year? I don't believe so, but could it be? Sure. If you looked at that earlier slide that Michael showed, that the CAGR during the last US recession, the CAGR for volume was 4%. That was kind of one of our triangulation points, why we guided 4% to 5% for next year.

But let's assume that volume is flat year over year. Quite honestly, I don't know where currencies are going to be. I will assume that they will continue to be volatile. As we mentioned to the Board last week, I think if anything there's possibly upside from where we were at least a week ago when we saw some of that movement with the euro, but this is unpredictable at this point, so we'll just put question marks.

We'll be assertive with layering hedges at the right time to mitigate any adverse impact, while hopefully keeping room for upside. So what can we do about it? As you saw, a lot of our cost structure is variable. We won't go through those components within what we describe as fixed here that we think are variable over the shorter horizon, but please trust me that there is some variable cost, even within those fixed components.

We firmly believe that if our stock remains significantly dislocated from fair value, and fair value, you can just take the average analyst reports for next year and whatever their target prices are and just use that as a guide of -- let's say that's fair value. If we're significantly dislocated, we will continue to use our free cash to repurchase shares. We think this provides an extremely accretive use of that free cash and when our stock does return to fair valuation, a heck of a return for investors.

And then, we will leave our further organization refinement and cost reduction as our final lever to ensure that we deliver that \$3.00 to \$3.20 of earnings per share. This is a business, again, as I mentioned earlier, that has strong cash flow and a very strong balance sheet. About two months ago, I received a call from an investor on a Friday and the investor was panicked to see if we were actually going to be in business today, because they didn't understand our exposure, or lack thereof, if you will, to the credit markets.

We're very fortunate that our debt to EBITDA is less than one times, our current credit facility does not need to be redone until 2012, and we're very fortunate that the price of our debt is very inexpensive. For our term facility, it's LIBOR plus 150, and for our revolver it's LIBOR plus 125. This is a business that, again, net income is a very good proxy for free cash.

Some capital investment, typically, these businesses generate a lot of free cash, do not need a lot of capital investment, and, as you can see over the last couple years, we have increased from almost \$70 million in 2006 to a peak this year of \$105 million, and we think we'll be back down to about \$60 million next year. On a percentage of sales basis, 2006 was 3.5%, we'll peak this year at a little over 4%, and next year we think we'll be down below 3% in terms of CapEx as a percentage of sales.

Our capital investment peaked during 2008, primarily reflecting the rollout of Oracle on a global basis. As many of you know, rolling out Oracle is not without its pain, but today we've successfully implemented Oracle in the US and Mexico, South America. We're just at the point of bringing Asia live at the end of this month, and we'll conclude with the European, all 35 markets in Europe going live on April 1st, or actually March 31st.

So, you'll see the peak of investment really occur in the first half of next year. What's important about Oracle, I think, and the question was very interesting. When I first joined in 2004, the decision to go on Oracle was made by the private equity company that had taken the Company private in 2002, and at that point it was more of a test for 10 markets that was approved.

And I met with the Vice Chairman of Oracle and asked why -- and if they had experience, why would we convert to Oracle in small markets where we have a small, let's say, general ledger system, if you will, almost desktop type of package.

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And his response, I thought, was really interesting and that's really what carried us, is if you want to be an international company, continue to do what you're doing. If you want to truly be global, you want to consider implementing Oracle. And then that's the journey that we're on. We want to have that visibility and insight on a global basis. We have a lot of inter-company activities given our tax strategy.

We have effectively one marketing plan on a worldwide basis from which we monitor and pay our distributors, and on top of Oracle, we have laid a business intelligence system which actually over the last two or three years has continued to give us better and more insightful value to our distributors and their performance.

Just a note, you've heard us talk about potentially getting vertical in manufacturing, which is something we keenly want to do at the right time. We're developing plans today. We have not presented our final plans to the Board. Therefore, the CapEx guidance of \$55 million to \$60 million for 2009 excludes such an investment.

We hope over the next couple of months to conclude those plans and most likely, in late February, when we report our fourth quarter earnings, we'll update you on our investment plans and possibly this number might go a little bit higher. So let's talk about consistently delivering results and this is what I call our Wall Street report card.

Four years ago, when we went public, the Street expected about somewhere around \$1.12. Our guidance was about \$1.10 to \$1.15. We were ultra conservative. At that point in time, we followed bankers' advice, do not miss a quarter was kind of tantamount, and we significantly overdelivered, I think because of that being very cautious. A year later, we found ourselves doing a secondary. Earnings per share guidance provided by the Company in November of '05 was \$1.80 to \$1.85 for 2006, and again, we over-delivered, at \$2.06.

In late 2006, for 2007, we provided guidance of \$2.40 to \$2.47 and we delivered \$2.71. A year ago, this time a year ago, we initiated guidance at \$3.17 to \$3.23. After our first quarter earnings, when the dollar had weakened significantly against most major currencies, we significantly increased our guidance and today we sit at about \$3.50 to \$3.55, and our initial look for next year is \$3.00 to \$3.20.

What I'm trying to lay out for you in this slide is that we've been very successful dealing with multiple factors throughout the entire P&L to effectively deliver upon what Michael likes to say, this is our promise. Our incentive compensation is somewhere on the left-hand side of that slide, somewhere contained within that range is our incentive compensation target.

All senior executives in this Company, their incentive bonus is tied solely to EPS, so we're truly aligned with the communication that we give and provide to Wall Street, and Michael more so than anybody, so we're keenly aligned. This concludes our prepared remarks. At this point in time, what I'd like to do is ask Michael and Des to join me at the podium here and for the next few minutes we'll host your questions.

There's a microphone that's in the middle of the room, so raise your hand. We'll give you a moment to get the microphone to you so that folks who are listening on the webcast can hear the question as well. Is that Karen?

QUESTIONS AND ANSWERS

Karen Howland - - Analyst

Hi, thanks. Rich, can you talk about the cuts that could be additive to EPS? Is that another \$0.50 or so that you think you could take next year to make earnings, if you needed to. Can you talk a little bit about what those could be, to give us comfort that you're not at this point cutting the muscle rather than just the fat, and, if it is in fact not cutting the muscle, why not just do them now?

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Rich Goudis - Herbalife - CFO

Again, I think what we said earlier is that we would monitor the growth and our expectations market by market, and markets that actually start exceeding our growth, we might find ourselves investing in more. If markets start to fall short of our expectations, we believe we have the flexibility to right-size those markets down, and that would be the first place we would look to take cost, Karen.

I think additionally, as Michael would like to say, the steps that we just took last week, by no means are those draconian. I think that our outlook for this business is still to be long-term growth and I think we're still well invested to carry out that mission. If something dramatic changes in our world, or in the world, that would have us revisit that, I think there's quite a bit of cost that falls in that discretionary column.

Michael and I always talk about it, we know where we have the costs. We've been here, Michael 5.5 years. When we walked in, SG&A was about \$400 million. Granted, if it was half of sales, but we know where we have added cost.

Michael Johnson - Herbalife - Chairman and CEO

I think it gets to the definition of what fat is. Is fat lowering R&D budgets? Is fat looking down into the future and saying we may not do some of the clinicals, substantiations we're doing? From one outsider view, they might say, well, that's just fat, you don't need all that. Just convince your distributors these are generally accepted as safe materials and go on. We're doing it to further substantiate the Company.

Should we be in our own manufacturing? If we got to the point where we said, you know something? We just can't afford to do it this year, we may back off from it, but we think that's a long-term intelligent strategy for this company based on a lot of things in the clinical environment and a lot of things in our own supply chain environment. We think there's margin to be grabbed there, but you may not grab margin for a year or two and so now you say, okay, don't put the capital expenditure, don't put the expenditures into it, don't put the and the task force behind it.

The thing we've got to be real careful about is not getting to the bone near distributor services. That's where we've got to be able to take orders, fulfill those orders, pay a royalty check. Those are vital service to this company and that's where the IT infrastructure comes from and the two other areas. But, then again, you may do it with less IT people. It's a good question and it's always which kid don't you feed tonight?

Rich Goudis - Herbalife - CFO

Amy?

Amy Greene Vinson - Avondale Partners - Analyst

Looking at the fourth quarter information, you said that there's more softness than you had expected in Mexico and Venezuela, which I think we all knew, but US, where are you seeing it in the US? And with the changes that we've seen in the employment numbers and things like that, are you seeing it in the Hispanic side of the business, or is it further down in general?

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

Sure. So what we see, and I think those of you who visit nutrition clubs, what we're seeing in the Latino business is that essentially nutrition clubs are very strong. What does seem to be happening, though, is that people are being a little bit more cautious in terms of their spending. And we're not sure whether that's something that's temporary or something that's going to continue.

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Similarly, from the distributors, we had some very strong promotional activity, for example, in October, when we had a promotion that was part of our 30th anniversary vacation. And typically when we have those promotions, then we see sometimes the distributors will buy forward some inventory participation of disposing of that in the following 30 days. So, we are seeing some softness but obviously it's too early to tell what the impact is on an ongoing basis.

Unidentified Audience Member

Okay, thanks. I guess following on to the US and Mexico question, it strikes me that in I guess what is sort of a stress test of your model you're saying can volume be flat? Yes, for '09 that is, maybe can be, but it seems unlikely, yet you're saying that the US volume is weaker than you had previously expected, and saying you're not sure yet how long it's going to last, whether it's temporary phenomenon.

I guess I'm just trying to get a better understanding of -- understanding, of course, that you already said this is not a counter-cyclical model. How comfortable can you be that volume being flat next year is a conservative viewpoint.

Michael Johnson - Herbalife - Chairman and CEO

I think I'll start as confident as us getting up in front of you and telling you that we'll deliver \$3.00 to \$3.20, that those markets that were up in the third quarter, we sincerely believe that those markets will still be growing a year from now.

The question in this business, as you know, there is a very short cycle time for orders, and so we lose that visibility and that's always been our Achilles tendon, if you will, that we're going to have to continue to monitor this very closely and manage our spending according to how well those markets are or are not performing.

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

I think the other thing, to add to that, we can look at what's happening directly, where we've seen that we have had growth during periods of recession in the US, and that when you talk to our distributor leaders and remember that even though we are converting to a method of daily consumption, the confidence and distributor confidence is still really the driving force in this business.

And I can tell you that having been at Tenerife, Barbados and so on, that the confidence among our distributor leadership is immensely high, particularly for those people who have been through previous recessions, because in those previous recessions what they found is that the number and quality of people joining the business has never been grater.

Just give you one example, in our business in Century City that we've just vacated, we have on a Tuesday evening [John Tartle], one of our Chairman's Club members and his group have an HOM, and on a typical Tuesday evening they'll get 30 people, on average, attending that HOM, which is an Herbalife Opportunity Meeting. He told me that last Tuesday 70 people show up at that meeting wanting to know about the Herbalife business opportunity.

So that's what our distributors are telling us, is that the number of people who previously may not have had an interest in Herbalife but now have an interest have never been greater. So, obviously, time will tell but frankly, to our distributors, they're saying, you know what? We've been through this before. This is something that actually a negative can be a positive.

Chris Ferrara - Merrill Lynch - Analyst

Sorry. With the daily DMO, particularly in the Latino business in the US, right, I mean, you've never before been driven so much by this type of demographic, right? So to the extent that unemployment climbs in this country, I guess how well are you

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communicating with your distributors to understand, I mean, if there are fewer people going through the doors of the nutritional clubs, I mean, how could you get a forward-looking sense of that?

Rich Goudis - Herbalife - CFO

Let me just start, Chris, by just remembering I think over the last I think seven or eight quarters now the US has been going double digit. The economic slowdown, especially in that Latino, or that construction related -- it started over a year ago and we've still been able to have double-digit growth not only in the overall US business but specifically in the Latino business, for the Latino segment.

So the question really becomes is what level of double-digit growth might that group continue to pose. Is it going to be 20% to 30% plus like it has over the last four quarters, even during challenging economic times? Or does that growth rate slow and moderate something to maybe mid teens? And if that's mid teens and the Anglo or general market is single digits, we might have a US market that is slower than 10%, which we haven't seen in almost eight quarters. But, if that were the case, that would be slower than our expectations.

To kind of scope that for you, we still believe that that's a very vibrant market, as Des mentioned. There were people in this room that went to nutrition clubs yesterday and saw very vibrant, robust businesses, and I think that's very indicative of our nutrition club business around the US.

Unidentified Audience Member

Just from a timing perspective, can you walk through on the vertical integration why that would be something you'd sort of even be thinking about for 2009? Is there anything unique about, oh, we can get some great deal on things in 2009, versus doing this in 2010 or 2011?

Rich Goudis - Herbalife - CFO

No, if we thought we could get a great deal, Michael would already have us doing it, I'm sure. But, no, I think this is a very prudent step in the evolution of this company. For 28 years we've essentially been a virtual company, sales and marketing. The only place where we manufacture is in China, our own products. So I think it's the next evolutionary step in us capturing more margin.

I think it's also in this environment where from a regulatory standpoint the scrutiny will continue to increase, especially here in the US, with the changes in Congress. I think we need to be out in front of that. I think we need to take more control of our own quality and intellectual property as we bring innovative product to market.

And, at the same time, I think it's also for our distributors -- it's a sense of confidence to be able to walk through a facility, their facility, see their products being made. I think that's also one of the objectives. So our plan is -- again, we're still developing those plans, but sometime in '09 hopefully we'll begin that process. We'll focus on powders and liquids, which comprise about 55% of our business, so we'll try to be really acute in our focus and try to become world class in those two areas.

Unidentified Audience Member

Are you in India?

Rich Goudis - Herbalife - CFO

We are, in a very small way.

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Unidentified Audience Member

Yes, go ahead.

Michael Johnson - Herbalife - Chairman and CEO

I would just stay, India has proven to be a very difficult market for all direct sellers. Network sellers, some major manufacturers, some major packaged goods companies are doing a lot of distribution on motorcycles and bicycles throughout the community. We have got a very interesting group of distributors there, who when you saw Des's presentation, saw the shift to daily consumption.

There's a group of them that had a lot of foresight and are seeing what's going on around the rest of the world and are joining in that. There's a group that's kind of holding back. They're very much recruiting only oriented and letting the business happen the way it happens. The ones who are more daily consumption oriented we think are going to start to find a bigger, better traction in India. Small market, though. Interestingly, a big opportunity for us if we can crack the code there.

Unidentified Audience Member

What kind of advertising are you doing there in India, guerilla advertising or, as you mentioned earlier here, is there a budget for that already?

Michael Johnson - Herbalife - Chairman and CEO

Tiny, tiny advertising. We have a tiny business there. So we've got to see more energy among the distributors and then we'll follow them into the marketplace.

Unidentified Audience Member

Well, I would love to speak to you further. We're just working with the Mahatma Gandhi Foundation, with his grandson, and we have a medal named after him and I would love to speak with you about maybe joining forces and then further penetrate in a guerilla effort to --

Michael Johnson - Herbalife - Chairman and CEO

We'll sign you up.

Unidentified Audience Member

Well, I was with Amway. I don't think I want to be part of the multilevel marketing. I developed a very strong business when I moved to the UK -- or from UK to the US. But I would love to speak to you, further penetrating the Indian market. As you know, in the year 2050, India will be the world's largest population, with 400 million of the middle class. So, I think it's a humongous, humongous opportunity to penetrate there and I would love to speak to you, give you my thoughts. Maybe something might come out of it, maybe not.

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Michael Johnson - Herbalife - Chairman and CEO

Okay. Thank you. Scott?

Scott Van Winkle - Canaccord Adams - Analyst

Back on the US, I was wondering if you could talk about the magnitude of the impact you've seen recently from the economy, and then, second, if there's been a geographical focus on the weakness.

Rich Goudis - Herbalife - CFO

Well, let me just start by reiterating what Des said. We ran a promotion in October worldwide that we believe skewed October favorable in one direction, and a lot of investors called and said, hey, how was your October, because a lot of retailers did not have a successful October? And we were honest. We said it's too early for us to tell, because we think it's skewed one direction. Similarly, we think November skewed the other way a little bit softer. We're out here today to give you the latest update.

I can't tell you -- if November comes in right where we expect, then maybe we called this a little too early, but better to be cautious when we come out and speak to you and come out at the end of February with a little bit brighter picture.

But I think what Des, to reiterate Des's point, I think given the headlines of today, I think people are sitting on their wallets. We're seeing less people take away product from the clubs, and that typically can be 20% to 30% of club sales are people taking a product away and buying it, and I think people are a little bit more cautious today, given all of the headlines of what's going on?

Scott Van Winkle - Canaccord Adams - Analyst

And, Des, I wonder if you could just comment on how difficult it is in China to open a nutrition club, regulatory wise?

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

So, we're still exploring that. We actually -- so, but we believe that it will be possible to do so within guidelines with which the government authorities are comfortable. So, we believe that there will be hurdles to overcome, but we believe that they can be overcome.

But when we get together next, we actually will have researched that thoroughly, but we've got a very detailed exercise happening now and we actually have a lot of people who are very anxious to because obviously they see the results in other markets, so we're very committed to making that happen.

Rich Goudis - Herbalife - CFO

I think the bright spot for us, Scott, is we believe that that does not need to be contained by the licensing application process that governs a lot of our sales to date, but this is something that can exist in licensed and unlicensed provinces. And, as you know, today we're only licensed in six provinces.

Rich, in the back?

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Unidentified Audience Member

I have two questions. So, first of all, regarding the slowdown, if I understand this correctly, the issue is not that there is more attrition than has historically been the case, people leaving the nutrition clubs and such, it's that it's consumption per person that has declined. Is that correct? And is that consistent across markets?

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

So let me distinguish between, say, the US and in Mexico. So, in Mexico, what we are seeing is that because primarily two issues -- one is the cost increase in the club. So after the VAT increase, the average price of the daily membership fee in Mexico went from MXN27 to MXN30, and then we have that issue covered with the fact that the amount of dollars that is flowing from the US into Mexico, and in many cases to family members who were female family members who might have attended the clubs, what we are seeing in Mexico is the number of people attending the clubs has not reduced, but it's the frequency with which they attend the clubs.

Because, remember, for many of them, this is their second family. This is their social outlet. This is where they go to get outside the house and so on, but they may be coming twice or three times a week, instead of four or five times a week. In the US, what we're seeing, where there is, is that it may be impacting the take-home sales, because, again, if people are sitting on their wallet, they may still want to come and pay the daily membership fee, but they may be a little bit more conservative in terms of the purchase of the products they're consuming at home.

Unidentified Audience Member

Which is the tougher to overcome? Less takeaway or lower frequency? I guess one you can address with increasing the number of distributors you have, particularly in a down environment.

Michael Johnson - Herbalife - Chairman and CEO

The most important in both cases is that we retain them as customers, because if you retain them as customers, that's the most important thing, because then when the limitations on disposable income gets addressed, then you still have them, you haven't lost them. And, for us, that's the thing that's the most important and that is what we are seeing, because, again, it goes back to the issues of the stickiness of the customers associated with this business method.

Unidentified Audience Member

And then just one final question, the whole issue of the VAT tax in Mexico, is that now done, buried, put away, or what is the status of that, Rich?

Rich Goudis - Herbalife - CFO

No, we continue to work it, and just to open up, it's not just affecting Herbalife. It's affecting a lot of companies. What happened in late 2007, the Mexican government put in a new computer system at Customs. So things that had been unknown to charge VAT on, all of a sudden they started charging VAT.

We believe, our advisers in Mexico believe, that they are doing that incorrectly, but within the organization, with Customs, nobody wants to overturn that ruling. So we are weighing our options, both either legal, some political, to figure out how delicately we get the government to revisit this, again, not just for us but for all companies affected. So, again, when you're

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dealing with governments, I don't think, Rich, it's going to be a quick answer and a quick turnaround. I think we have to live with the cards that we're dealt right now.

Unidentified Audience Member

Okay, and one final question, one solution I think was that you're going to change the formulation such that it wasn't a mixed product or something along those lines. How quickly can that be implemented once you decide that you have to deal with the cards that were dealt you?

Michael Johnson - *Herbalife - Chairman and CEO*

Well, one of the solutions is that there's a certain agreement called chocolate -- cocoa -- which is not involved in the VAT tax, so we immediately said, can we put cocoa in everything? And that wasn't too reasonable, so we backed off that a little bit.

But there are some products that we're going to push up to the front of the line that may get some ingredient changes to it that will allow us to be more VAT resilient, but I think Rich's answer was the more correct one, which was there are still government levels that we can go to, some political levels that we can be involved with that may bring some light at the end of the tunnel. This is a bit of a strange ruling when every law firm down there -- of course, looking for fees -- but every law firm down there tells us that we have a solid case.

Yes.

Unidentified Audience Member

I had just a short question. What do you view as your biggest problem during the next five years, worldwide and domestically? And then the second part of the question is, do you see your industry becoming consolidated and mergers and acquisitions happening?

Michael Johnson - *Herbalife - Chairman and CEO*

Let me start with the second question first. Mergers and acquisition in this industry I think are difficult. We actually looked at that model. One of our competitors is trying it. They're trying to consolidate back offices, and have individual sales forces, distributor forces, do that. With us, because we're around one product so deeply, nutrition, combining the cultural forces together is very difficult.

We have a very rich marketing plan, and if you went out and acquired another company, the first thing a distributor would say, who's getting the love today? Are they getting the love or are we getting the love? And the confidence of our distributors, to answer your first question, is the most important thing that we face in the future of this company, is that a distributor wakes up every morning totally confident in the products, the Company, their opportunity, their ability to get out and talk to people about the usage of this product.

It's not macroeconomic factors that wail on us so much. To me, it's the individual, and I'll call that micro-emotional-economic factor inside someone. I don't know if, Des, you have a different take on that. But, to me, it is the distributor waking up in the morning, he/she gets out of bed with a plan, an opportunity and a belief system.

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Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

So, about a year or so ago, I was speaking to one of our distributors in Los Angeles, who initially, frankly, was opposed to the concept of the nutrition clubs, because they said, look, we've been doing this business for so many years, it's been so successful, why would we want to do something new? Subsequently, a year later, they've actually become one of the greatest advocates.

And when I asked them what made the change, they said, what made the change for them was seeing the discipline that came with the daily nutrition club model. And what she explained was in the nutritional business, if you're an Herbalife distributor, your family perceives that you sort of really don't have to work, so mom calls up and says, hi, Mary, let's go shopping today and sort of Mary says okay. Well, your sister calls up and says, listen, Jimmy's sick, do you mind taking care of Sarah while I bring Jimmy to the doctor and so on? So there's lots of distractions for them.

With the nutrition club, you're able to say, mom, I'd love to go, but unfortunately I can't, because I have my club. Sister, I'd love to take care of little Jimmy, but I can't, because I have my club. So the clubs represent a discipline that causes our distributor to have that structure. The same thing is true about the weight-loss challenge. Once I organize a weight-loss challenge, for the next 12 weeks I'm committed to showing up, because my customers are going to show up.

So, for us, the discipline which comes with the [fair] challenge, so, as we look to the future, not only do we see, obviously, our biggest challenge being simply to have more people embrace these daily consumption models, but, most importantly, we see the change happening because of the discipline that comes with those. So, frankly, it's a challenge, but also a huge opportunity because you see those results, you can see the impact that it has for us.

Rich Goudis - Herbalife - CFO

We're going to take two more questions. In the back.

Unidentified Audience Member

Michael, first on the brand, some companies that have a strong value proposition today are making that known to customers, TV. Wal-Mart, even Amway, in your space. Do you feel you're maximizing what you could be doing in your world, recognizing that you're in a variable cost preservation mode today? And you have some great vehicles, the Galaxy, AYSO, which has been mixed. It's just that they only activate certain times of the year. I think, right now, [Viacom] isn't wearing your jersey, so how do you capitalize on that as the year goes? And then I have the follow-up for Des.

Michael Johnson - Herbalife - Chairman and CEO

So, I mean, the key for us is guerilla marketing, and that is a low-cost, highly effective way to get your product out there. Big brand advertising, and I see what some of our competitors are doing, and I'm wondering why they're doing it and how effective it really is. We tried television advertising three years ago. We tried it in five different marketplaces. We created a bucket of leads and we drove them into our distributors and what we find out is that's not the best way for us to do it.

We are a push company, and we're pulling our own leads in and sending them down through the pipes of our distributors, it's not as effective as when they're doing them themselves, because they have more at risk. They have very little at risk when we're doing it for them, and I just believe strongly that our brand is going to be in the hands of our distributors, more effectively placed into the marketplace than any kind of image advertising or print or electronic media advertising.

Now, that's not to say that we don't do a little of that. We do it around our Galaxy when they're on air, because it's part of our package with them, so we've produced a really great-looking ad. Some of our countries, we may be doing some spot advertising, and every now and then I think we need a boost on that, and so we're monitoring that very carefully.

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But I don't think that's overall as effective as having what I would call the viral, the guerilla, the Obama-style out into the marketplace, which is a lot of different inputs to a lot of people, rather than one big impact to a selective group. So, I don't think you're going to see a Super Bowl ad out of us anytime soon. In fact, I hear they're having trouble selling that inventory right now, but maybe we will. Maybe we'll buy heavily discounted.

Unidentified Audience Member

Okay, and then the follow-up for Des. Correct me if I'm wrong, but when a distributor wants to use the Herbalife brand for their own event, they have to get an approval through the Company? And then, if so, can you measure those approvals and use that as a gauge to determine the engagement or enthusiasm? Because, in this time, if distributors aren't seeing the activation of the business, could that translate into either them not working as hard, being dejected or deflated, whatever it is, and is that something useful that you guys track?

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

Yes, so, as it happens, a number of years ago we changed our policy on that. We had a campaign that Barb Henderson, who is our Head of Corporate Communications, referred to the free the leaf campaign, whereby instead of having distributors having to ask for commission, we actually made available our logo and a whole variety of different materials available to them to download it off our website.

So the only restriction today, our distributors are welcome to do any of those activities, and the only thing they have to do is clearly to note then that they are being done by an independent Herbalife distributor, so that a consumer would not confuse them with an actual Herbalife corporate --

Michael Johnson - Herbalife - Chairman and CEO

Yes, just to add to that, it's interesting. We're out there electronically. You may or may not know it. A lot of our distributors do their own radio. They do their own TV, and they do what they call blind lead generation. They're advertising purely the business opportunity, and there was one I heard. I was driving to the airport last night, and there was one I heard and I immediately called into the office to say check it out, see if this is one of ours or not.

We monitor those very carefully, but they gave me late '90s, stop using the brand. I would love to see our distributors go back to using the brand as a lead. That tells you a little something. It tells you a little something about the heritage of our company and the history of it, but also they will tell you point blank that it is business opportunity advertising that draws the leads in that can convert to retail.

We're actually not on a collision course, but we're on a little different path where you'll see us talking about the product, any advertising or any image that we do, we talk about the product first and let them talk about the business opportunity first. So we talk about -- and what one of our competitors is doing is pretty much talking about the business opportunity and not the product.

We're so proud of these products and so high on them that we want the product and the business opportunity to sit on equal platforms up there. So that's what to me guerilla marketing does. It brings the opportunity for the product way forward, as well as the business opportunity, and I can get a panel of distributors up here today and some will tell you, it's got to be all product. It's the product, product, product. Use where [to talk], get them on it. And then another group will say it's all about recruiting.

What Des and I have to do is we have to balance those. We have to make sure recruiting and retailing are running neck and neck with each other at our company, and right now our big challenge was to get the recruiting up. And if I thought it was

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going to be public media to do it, we would be all over it in a second, and we would have a lot of support for it from distributors. But no one is beating down our door, distributors saying, let's do major Amway-style campaigns. They have their ear on the street and they're very, very good recon for us.

Des Walsh - Herbalife - EVP, Worldwide Operations and Sales

And I think you have to test, by the way, as John Tartle's situation, normally 30 people in his HOM at Century City, last week, 70 people. And that's obviously without consumer advertising. It's just a function of the times that we're in and people out there searching for an opportunity that maybe in the past they would have ignored.

Rich Goudis - Herbalife - CFO

And we have one last question. During the presentation, you alluded to several of the new products. Can you talk about a few that you feel hold the most promise and going down the road, let's say three years out, what dollar amounts of revenue and percentage of revenue will be generated by these products?

Michael Johnson - Herbalife - Chairman and CEO

Well, new products -- let me answer, again, your last question first. Our products tend to cannibalize each other more than we would like them to, and so when you talk about new properties, Niteworks is a continuing new product for us, because we're rolling it out in new markets. We launched it five years ago in the US, but it continues to be a new product on a global basis.

Niteworks in some marketplaces -- in Asia, I think it's our number two or three product in the market, so you're getting a lot of income off that product. And so it's hard to give you an exact measurement, but let me just go through some of the new products. One is, it's packaging and delivery systems. We have a lot of tabs, and so we're looking at things beyond the tabs, if you will, and I don't want to give too many secrets away in here, because who knows who's listening on this webcast. Hello, friends and competitors out there. We don't want -- delivery systems we think are very important.

One of the things we found very profitable and optimistic for us is that delivered actives and you provide the inactives. So we deliver fizzy tabs, we deliver powders, you provide the water. It's cheaper, it's more economically and environmentally sensitive. A little pitch there for the environment out there, and my good friend Carol Browner, who just got named environmental czar. Hi, Carol.

And, two, it's on the products you'll see sizing, you'll see flavoring, which we're very excited about. All of us were just -- we have a monthly product view where we sit in, we have an economic viewpoint on it, we have a commercial viewpoint on it and we have an inspirational viewpoint on each of the products that are coming out. So you'll see new flavors, you'll see new sizing, you'll see new delivery mechanisms out of us. We have a satiety product that we're working on that we're pretty excited about.

We're in a critical test with it in Germany right now, pretty good looking. We'll see. Distributors are saying, launch it, launch it, launch it. We're saying, okay, let's get the clinical done, let's be smart about it. You're going to see more from the skincare line from us in the next couple of years, which we're excited, because it moves quickly globally. It doesn't have as many restrictions in the marketplace.

What have I missed on that? Satiety I've spoke about, flavorings, sizing. I kind of want to leave it at that, because we want to keep a few things in the vest for you right now.

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Rich Goudis - Herbalife - CFO

Okay, with that, let me just say thank you very much. Michael has a couple closing comments, but thank you very much. I know it's a cold winter day in New York. Some of you came as far away as Boston, so we appreciate you taking the trip down here today. Hopefully you found the prepared comment informative. We'll stay around here as a management group, socially here, for the next half hour or so to answer any lingering questions or private questions that you didn't want to ask broadly.

And, with that, again, happy holidays to everybody, and I'll hand it over to Michael for closing comments.

Michael Johnson - Herbalife - Chairman and CEO

Well, I'll do it real briefly. Four years ago, in this building, we launched this company in the public marketplace to gain your trust, your acceptance, to build a company into a new image, into a new tomorrow. We talk about Herbalife of yesterday, today and tomorrow. I remain, and frankly and am more excited about this company today than I ever have been. My energy level, and Des and I spend 50%, 60% of our time on the road for Herbalife with distributors, we're really confident about this company.

We know 2009 is going to be a tough year. There's no doubt in our minds about it. It's going to be tough on everyone in every place in every quarter, but people are also going to [profit] this year, and our distributors have this uncanny confidence in the ability, especially in tough times -- this is where they seem to really shine. It's almost they can find more things to find trouble with in the good times than they can in the bad times, because in the bad times they're so busy seeking out opportunity. That's what we're going to continue to focus on.

We know this is a year about building up our recruiting, continuing to build retailing, to switch marketplaces from recruiting only to daily consumption, which is a blend of recruiting and retailing, and then retaining those distributors. Great product, great brand, incredible business opportunity, unlike anything that exists out there, because people can become millionaires at Herbalife.

Not everyone, so we'll take -- [Brad], in case you're listening, we'll take all the legal disclaimers on that, but there's not many companies that can say that today. Most companies are focused on how they can keep their doors open.

Many of you have been a part of some very difficult moments in your companies in the last few months. We at Herbalife feel very confident about the future. We're going to temper it a little bit, and these guys will make sure that I'm not jumping too high in the air and building too much irrational exuberance, but I'm exuberant about this company.

I'm confident in the future like no time in the past, so I'll leave it at that and we can go on and we'll talk to you a little in private, if you'd like. And other than that, as Rich said, thank you for traveling here to be with us. You saw the size of this presentation. It's a representation of some of the steps we're going to keep our cost controls in place, and all of us have toned us down a little bit about there. So we're trying to be smarter for you in the bottom line. Thank you very much.

Rich Goudis - Herbalife - CFO

Thank you. This concludes our webcast as well.

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