HERBALIFE LTD.
Form 10-Q
August 05, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 1-32381

HERBALIFE LTD.
(Exact name of registrant as specified in its charter)

Cayman Islands	**98-0377871**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

P.O. Box 309GT
Ugland House, South Church Street
Grand Cayman, Cayman Islands
(Address of principal executive offices) (Zip code)

(310) 410-9600
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Number of shares of registrant s common shares outstanding as of July 31, 2008 was 63,681,162

HERBALIFE LTD.

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

HERBALIFE LTD.

CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (Unaudited)	December 31, 2007
	(In thousands, except share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 162,386	$ 187,407
Receivables, net of allowance for doubtful accounts of $8,307 (2008) and $7,863 (2007)	74,154	58,729
Inventories, net	132,956	128,648
Prepaid expenses and other current assets	103,370	72,193
Deferred income taxes	40,280	40,119
Total current assets	513,146	487,096
Property, at cost, net of accumulated depreciation and amortization of $87,884 (2008) and $66,000 (2007)	149,148	121,027
Deferred compensation plan assets	19,052	19,315
Deferred financing costs, net of accumulated amortization of $1,045 (2008) and $807 (2007)	2,232	2,395
Marketing related intangibles	310,060	310,060
Goodwill	111,312	111,477
Other assets	26,741	15,873
Total assets	$ 1,131,691	$ 1,067,243
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 42,941	$ 35,377
Royalty overrides	128,736	127,227
Accrued compensation	49,843	54,067
Accrued expenses	122,407	114,083
Current portion of long-term debt	13,592	4,661
Advance sales deposits	27,843	11,599
Income taxes payable	10,342	28,604

Total current liabilities	395,704	375,618
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion	357,259	360,491
Deferred compensation	20,236	20,233
Deferred income taxes	107,823	107,584
Other non-current liabilities	20,862	21,073
Total liabilities	901,884	884,999
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Common shares, $0.002 par value, 500.0 million shares authorized, 63.7 million (2008) and 64.4 million (2007) shares issued and outstanding	127	129
Paid-in-capital in excess of par value	192,360	160,872
Accumulated other comprehensive loss	(3,796)	(3,947)
Retained earnings	41,116	25,190
Total shareholders equity	229,807	182,244
Total liabilities and shareholders equity	$ 1,131,691	$ 1,067,243

See the accompanying notes to consolidated financial statements

HERBALIFE LTD.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(Unaudited) (In thousands, except per share amounts)			
Product sales	$ 550,676	$ 456,907	$ 1,071,402	$ 894,900
Handling & freight income	89,024	73,193	172,735	143,299
Net sales	639,700	530,100	1,244,137	1,038,199
Cost of sales	128,049	111,361	245,715	218,644
Gross profit	511,651	418,739	998,422	819,555
Royalty overrides	215,300	188,509	428,020	368,769
Selling, general & administrative expenses	203,113	152,157	387,513	301,585
Operating income	93,238	78,073	182,889	149,201
Interest expense, net	3,167	2,274	6,957	4,478
Income before income taxes	90,071	75,799	175,932	144,723
Income taxes	22,991	27,690	46,485	55,434
NET INCOME	$ 67,080	$ 48,109	$ 129,447	$ 89,289
Earnings per share:				
Basic	$ 1.04	$ 0.68	$ 2.01	$ 1.25
Diluted	$ 1.01	$ 0.65	$ 1.94	$ 1.20
Weighted average shares outstanding:				
Basic	64,282	70,616	64,301	71,180
Diluted	66,110	73,990	66,559	74,491

See the accompanying notes to consolidated financial statements

HERBALIFE, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(Unaudited) (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 129,447	$ 89,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,244	17,046
Stock-based compensation expense	8,721	6,624
Excess tax benefits from share-based payment arrangements	(12,878)	(5,201)
Amortization of discount and deferred financing costs	238	145
Deferred income taxes	586	(596)
Unrealized foreign exchange gain	(2,876)	(1,464)
Write-off of deferred financing costs and unamortized discounts		204
Other	737	71
Changes in operating assets and liabilities:		
Receivables	(12,719)	3,771
Inventories	3,166	23,740
Prepaid expenses and other current assets	(24,109)	(28,384)
Other assets	(591)	(154)
Accounts payable	6,280	(5,343)
Royalty overrides	(2,821)	(5,900)
Accrued expenses and accrued compensation	(4,949)	6,728
Advance sales deposits	15,702	(432)
Income taxes payable	(4,314)	25,193
Deferred compensation liability	4	2,440
NET CASH PROVIDED BY OPERATING ACTIVITIES	121,868	127,777
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(37,590)	(20,713)
Proceeds from sale of property	27	65
Deferred compensation plan assets	263	(1,108)
NET CASH USED IN INVESTING ACTIVITIES	(37,300)	(21,756)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from long-term debt	40,000	100,432
Principal payments on long-term debt	(61,603)	(71,990)
Dividends paid	(25,586)	(14,379)
Share repurchases	(94,193)	(138,863)
Proceeds from exercise of stock options and sale of stock under employee stock purchase plan	15,609	3,672
Excess tax benefits from share-based payment arrangements	12,878	5,201

NET CASH USED IN FINANCING ACTIVITIES	(112,895)	(115,927)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,306	2,627
NET CHANGE IN CASH AND CASH EQUIVALENTS	(25,021)	(7,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	187,407	154,323
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 162,386	$ 147,044
CASH PAID FOR:		
Interest	$ 9,535	$ 6,643
Income taxes	$ 46,501	$ 38,837
NON-CASH ACTIVITIES:		
Assets acquired under capital leases and other long-term debt	$ 27,295	$ 1,911

See the accompanying notes to consolidated financial statements

HERBALIFE LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Herbalife Ltd. (and together with its subsidiaries, Herbalife or the Company) is a leading global network marketing company that sells weight management, nutritional supplements, energy & fitness products and personal care products through a network of over 1.8 million independent distributors, except in China, where the Company currently sells its products through retail stores and an employed sales force. The Company reports revenue in five geographic regions: North America, which consists of the U.S., Canada and Jamaica; Mexico and Central America, which consists of Mexico, Costa Rica, El Salvador, Panama and Dominican Republic; South America, which includes Brazil; EMEA, which includes Europe, the Middle East and Africa; and Asia Pacific, which includes Asia, New Zealand and Australia.

2. Basis of Presentation

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission s Regulation S-X. Accordingly, it does not include all of the information required by generally accepted accounting principles, or GAAP, in the U.S. for complete financial statements. The Company s unaudited consolidated financial statements as of June 30, 2008, and for the three and six months ended June 30, 2008 and 2007, include Herbalife and all of its direct and indirect subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company s unaudited consolidated financial statements as of June 30, 2008, and for the three and six months ended June 30, 2008 and 2007. These unaudited consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2007. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 161, *Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133*, or SFAS 161. SFAS 161 expands the disclosure requirements for derivative instruments and hedging activities. This Statement specifically requires entities to provide enhanced disclosures addressing the following: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* or SFAS 133, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 161 on the Company s consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position FAS 157-2, or FSP FAS 157-2. FSP FAS 157-2 will delay the effective date of SFAS No. 157, *Fair Value Measurement,* or SFAS 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP FAS 157-2 partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of FSP FAS 157-2. The Company is currently evaluating the potential impact, if any, of the application of FSP FAS 157-2 to its nonfinancial assets and nonfinancial liabilities on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, or SFAS 141R, which replaces FASB Statement No. 141. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. SFAS 141R also modifies the recognition for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

preacquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research and development value in purchase accounting. SFAS 141R amends SFAS 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 141R on the Company s consolidated financial statements.

Reclassifications

Certain reclassifications were made to the prior period financial statements to conform to current period presentation.

3. Long-Term Debt

Long-term debt consists of the following:

	As of June 30, 2008	As of December 31, 2007
	(In millions)	
Borrowings under senior credit facility	$ 338.3	$ 357.1
Capital leases	5.3	7.4
Other debt	27.3	0.7
Total	370.9	365.2
Less: current portion	13.6	4.7
Long-term portion	$ 357.3	$ 360.5

On July 21, 2006, the Company entered into a $300.0 million senior secured credit facility, comprised of a $200.0 million term loan and a $100.0 million revolving credit facility, with a syndicate of financial institutions as lenders and replaced the $225.0 million senior secured credit facility, originally entered into on December 21, 2004. The term loan bears interest at LIBOR plus a margin of 1.5%, or the base rate, which represents the prime rate offered by major U.S. banks, plus a margin of 0.50%, and matures on July 21, 2013. The revolving credit facility bears interest at LIBOR plus a margin of 1.25%, or the base rate, which represents the prime rate offered by major U.S. banks, plus a margin of 0.25%, and is available until July 21, 2012.

The Company incurred approximately $2.3 million of debt issuance costs in connection with entering into the senior secured credit facility in July 2006, which are being amortized over the term of the senior secured credit facility.

On August 23, 2006, the Company borrowed $200.0 million pursuant to the term loan under its senior secured credit facility to fund the redemption of its 91/2% Notes due 2011 and all amounts remaining outstanding under the old credit facility. In September 2006, the Company prepaid $20.0 million of its new term loan borrowings. In March 2007, the Company made another prepayment of $29.5 million and expensed approximately $0.2 million of related unamortized deferred financing costs. As of June 30, 2008 and December 31, 2007, the amounts outstanding under the term loan were $147.6 million and $148.4 million, respectively.

In September 2007, the Company and its lenders amended the credit agreement governing the senior secured credit facility, increasing the amount of the revolving credit facility by an aggregate principal amount of $150.0 million to finance the increase in the Company s share repurchase program (see Note 11 of the notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

to unaudited consolidated financial statements for further discussion on the share repurchase program). During 2007, the Company borrowed an aggregate amount of $293.7 million under the revolving credit facility to fund its share repurchase program and paid $85.0 million of the revolving credit facility. During the first quarter of 2008, the Company paid $30.0 million of the revolving credit facility. In May 2008, the Company borrowed an additional $40.0 million under the revolving credit facility to fund its share repurchase program and in June 2008 paid $28.0 million of the revolving credit facility. As of June 30, 2008 and December 31, 2007, the amounts outstanding under the revolving credit facility were $190.7 million and $208.7 million, respectively.

Through the course of conducting regular operations, certain vendors may require letters of credit to be issued in order to secure insurance policies or goods that are purchased. As of June 30, 2008 and December 31, 2007, the Company had no outstanding letters of credit.

4. Contingencies

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International and certain of its independent distributors have been named as defendants in a purported class action lawsuit filed February 17, 2005, in the Superior Court of California, County of San Francisco, and served on Herbalife International on March 14, 2005 *(Minton v. Herbalife International, et al).* The case was transferred to the Los Angeles County Superior Court. The plaintiff is challenging the marketing practices of certain Herbalife International independent distributors and Herbalife International under various state laws prohibiting endless chain schemes, insufficient disclosure in assisted marketing plans, unfair and deceptive business practices, and fraud and deceit. The plaintiff alleges that the Freedom Group system operated by certain independent distributors of Herbalife International products places too much emphasis on recruiting and encourages excessively large purchases of product and promotional materials by distributors. The plaintiff also alleges that Freedom Group pressured distributors to disseminate misleading promotional materials. The plaintiff seeks to hold Herbalife International vicariously liable for the actions of its independent distributors and is seeking damages and injunctive relief. On January 24, 2007, the Superior Court denied class certification of all claims, except for the claim under California law prohibiting endless chain schemes. That claim was granted California class certification, provided that class counsel is able to substitute in as a plaintiff a California resident with claims typical of the class. The Company believes that it has meritorious defenses to the suit.

Herbalife International and certain of its distributors were defendants in a class action lawsuit filed July 16, 2003, in the Circuit Court of Ohio County in the State of West Virginia *(Mey v. Herbalife International, Inc., et al).* The complaint alleged that certain telemarketing practices of certain Herbalife International distributors violated the Telephone Consumer Protection Act, or TCPA, and sought to hold Herbalife International vicariously liable for the practices of its independent distributors. More specifically, the plaintiffs complaint alleged that several of Herbalife International s distributors used pre-recorded telephone messages and faxes to contact prospective customers in violation of the TCPA s prohibition of such practices. Without in any way acknowledging liability or wrongdoing by the Company or its independent distributors, the Company and the other defendants have reached a binding settlement with the plaintiffs. Under the terms of the settlement, the defendants collectively paid $7 million into a fund to be distributed to qualifying class members. The relevant amount paid by the Company was previously fully reserved in the Company s financial statements. The settlement received the final approval of the Court in January 2008.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material to the Company. The Company believes that it has meritorious defenses

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of $10 million.

Certain of the Company s subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The Company and its tax advisors believe that there are substantial defenses to their allegations that additional taxes are owed, and the Company is vigorously contesting the additional proposed taxes and related charges.

These matters may take several years to resolve, and the Company cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material adverse effect on the Company s financial condition and operating results. This opinion is based on the belief that any losses suffered in excess of amounts reserved would not be material, and that the Company has meritorious defenses. Although the Company has reserved an amount that the Company believes represents the most likely outcome of the resolution of these disputes, if the Company is incorrect in the assessment the Company may have to record additional expenses.

5. Comprehensive Income

Total comprehensive income consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(In millions)			
Net income	$ 67.1	$ 48.1	$ 129.4	$ 89.3
Unrealized gain/(loss) on derivative instruments, net of tax	0.8	0.4	(0.1)	0.3
Foreign currency translation adjustment	(0.7)	0.7	0.3	0.4
Comprehensive income	$ 67.2	$ 49.2	$ 129.6	$ 90.0

6. Segment Information

The Company is a global network marketing company that sells a wide range of weight management products, nutritional supplements, energy and fitness products and personal care products within one industry segment as defined under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. The Company s products are primarily manufactured by third party providers and then sold to independent distributors who sell Herbalife products to retail consumers or other distributors.

The Company sells products in 66 countries throughout the world and is organized and managed by geographic regions. The Company aggregates its operating segments into one reporting segment, as management believes that the Company s operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers products are sold to, the methods used to distribute the products, and the nature of the regulatory environment.

Revenues reflect sales of products to distributors based on the distributors geographic location.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

In late 2007, the Company changed its geographic regions from seven to five regions as part of the Company s on-going Realignment for Growth plan. This updated regional structure allows the Company to better support the distributor leadership and enhance synergies within the regions. Historical information presented related to the Company s geographic regions has been reclassified to conform with its current geographic presentation. The Company s reporting segment s operating information and sales by product line are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(In millions)			
Net Sales:				
United States	$ 127.7	$ 108.1	$ 241.7	$ 207.8
Mexico	102.7	94.7	196.3	188.7
Others	409.3	327.3	806.1	641.7
Total Net Sales	$ 639.7	$ 530.1	$ 1,244.1	$ 1,038.2
Operating Margin(1):				
United States	$ 53.5	$ 41.3	$ 100.7	$ 74.2
Mexico	43.3	39.3	82.1	76.5
Others	199.6	149.7	387.6	300.1
Total Operating Margin	$ 296.4	$ 230.3	$ 570.4	$ 450.8
Selling, general and administrative expenses	203.1	152.2	387.5	301.6
Interest expense, net	3.2	2.3	7.0	4.5
Income before income taxes	90.1	75.8	175.9	144.7
Income taxes	23.0	27.7	46.5	55.4
Net Income	$ 67.1	$ 48.1	$ 129.4	$ 89.3

	As of	
	June 30, 2008	December 31, 2007
	(In millions)	
Total Assets:		

United States	$ 619.6	$ 668.6
Mexico	77.3	62.3
Others	434.8	336.3
Total Assets	$ 1,131.7	$ 1,067.2

HERBALIFE LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(In millions)			
Net sales by product line:				
Weight Management	$ 405.2	$ 338.9	$ 786.0	$ 659.6
Targeted Nutrition	130.5	105.2	256.1	208.1
Energy and Fitness	26.5	22.4	50.5	42.8
Outer Nutrition	39.3	34.1	79.5	70.6
Literature, promotional and other(2)	38.2	29.5	72.0	57.1
Total Net Sales	$ 639.7	$ 530.1	$ 1,244.1	$ 1,038.2
Net sales by geographic region:				
North America(3)	$ 133.2	$ 113.9	$ 251.8	$ 218.4
Mexico and Central America(4)	107.4	97.9	205.0	193.8
South America(5)	94.0	64.1	196.0	125.0
EMEA(6)	159.9	146.0	317.9	289.2
Asia Pacific(7)	145.2	108.2	273.4	211.8
Total Net Sales	$ 639.7	$ 530.1	$ 1,244.1	$ 1,038.2

(1) Operating margin consists of net sales less cost of sales and royalty overrides.

(2) Product buybacks and returns in all product categories are included in the literature, promotional and other category.

(3) Consists of the U.S., Canada and Jamaica.

(4) Consists of Mexico, Costa Rica, El Salvador, Panama and Dominican Republic.

(5) Includes Brazil.

(6) Includes Europe, Middle East and Africa.

(7) Includes Asia, New Zealand and Australia.

7. Stock Based Compensation

The Company has five stock-based compensation plans, the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, or the Management Plan, the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Incentive Plan, or the Independent Directors Plan, the Herbalife Ltd. 2004 Stock Incentive Plan, or the 2004 Stock Incentive Plan, the Herbalife Ltd. 2005 Stock Incentive Plan, or the 2005 Stock Incentive Plan, and the Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan, or the Independent Director Stock Unit Plan. The Management Plan provides for the grant of options to purchase common shares of Herbalife to members of the Company s management. The Independent Directors Plan provides for the grant of options to purchase common shares of Herbalife to the Company s independent directors. The 2004 Stock Incentive Plan replaced the Management Plan and the Independent Directors Plan and after the adoption thereof, no additional awards were made under either the Management Plan or the Independent Directors Plan. However, the shares remaining available for issuance under these plans were absorbed by and became available for issuance under the 2004 Stock Incentive Plan. The terms of the 2005 Stock Incentive Plan are substantially similar to the terms of the 2004 Stock Incentive Plan. The 2005 Stock Incentive Plan authorizes the issuance of 4,000,000 common shares pursuant to awards, plus any shares that remained available for issuance under the 2004 Stock Incentive Plan at the time of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

adoption of the 2005 Stock Incentive Plan. The purpose of the Independent Directors Stock Unit Plan is to facilitate equity ownership in the Company by its independent directors through the award of stock units and to allow for deferral by the independent directors of compensation realized in connection with such stock units.

The Company records compensation expense over the requisite service period which is equal to the vesting period. For awards granted prior to January 1, 2006, compensation expense is recognized on a graded-vesting basis over the vesting term. For awards granted on or after January 1, 2006, compensation expense is recognized on a straight-line basis over the vesting term. Stock-based compensation expense is included in selling, general and administrative expenses in the consolidated statements of income. For the three and six months ended June 30, 2008, stock-based compensation expenses amounted to $3.6 million and $8.7 million, respectively, and the related income tax benefits recognized in earnings amounted to $1.3 million and $3.2 million, respectively. For the three and six months ended June 30, 2007, stock-based compensation expenses amounted to $3.1 million and $6.6 million, respectively, and the related income tax benefits recognized in earnings amounted to $1.2 million and $2.5 million, respectively.

As of June 30, 2008, the total unrecognized compensation cost related to non-vested stock awards was $61.5 million and the related weighted-average period over which it is expected to be recognized is approximately 1.9 years.

For the three and six months ended June 30, 2008, excess tax benefits of $2.3 million and $13.4 million, respectively, were generated from option exercises. For the three and six months ended June 30, 2007, excess tax benefits of $4.1 million and $5.4 million, respectively, were generated from option exercises.

The Company s stock-based compensation plans provide for grants of stock options, stock appreciation rights, or SARS, and stock units, which are collectively referred to herein as awards. Stock options typically vest quarterly over a five-year period beginning on the grant date, and certain stock option grants vest over a period of less than five years. Certain SARS vest quarterly over a five-year period beginning on the grant date. Other SARS vest annually over a three-year period. The contractual term of stock options and SARS is ten years. Stock unit awards under the 2005 Incentive Plan, or Incentive Plan Stock Units, vest annually over a three year period which is equal to the contractual term. Stock units awarded under the Independent Directors Stock Unit Plan, or Independent Director Stock Units, vest at a rate of 25% on each January 15, April 15, July 15 and October 15. In March 2008, the Company granted stock unit awards to its Chairman and Chief Executive Officer, which vest over a four-year period at a rate of 30% during each of the first three years and 10% during the fourth year. Unless otherwise determined at the time of grant, the value of each stock unit shall be equal to one common share of Herbalife. The Company s stock compensation awards outstanding as of June 30, 2008 include stock options, SARS, and stock units.

In March 2008, the Company granted SARS with market conditions to its Chairman and Chief Executive Officer which will fully vest at the end of four years subject to his continued employment through that date and the achievement of certain conditions related to the market value of the Company s common shares. The market conditions include targets for stock price appreciation of both a 10% and a 15% compound annual growth rate. The fair value of the SARS with market conditions is estimated on the date of the grant using the Monte Carlo lattice model.

With the exception of awards with market conditions, the fair value of each award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model based on the assumptions in the following tables. The expected term of the award is based on the simple average of the average vesting period and the life of the award because of the limited historical data. All groups of employees have been determined to have similar historical exercise patterns for valuation purposes. The expected volatility of stock awards is primarily based upon the historical volatility of the Company s common shares and, due to the limited period of public trading data for its common shares, it is also validated against the volatility rates of a peer group of companies. The risk free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the award. The dividend yield reflects that the Company has not historically paid regular cash dividends from inception to the first quarter of 2007. Dividends paid by the predecessor company in 2002 and prior and special dividends paid in 2004 in connection with the Company s initial public offering have been excluded from the calculation. Commencing in the second quarter of 2007, the board of directors approved a regular quarterly dividend program and the Company declared a $0.20 per share cash dividend for each of the succeeding quarters. However, there is no guarantee that the board of directors will not terminate the quarterly dividend program.

There were no stock options granted during the three and six months ended June 30, 2008 and 2007. The following table summarizes the weighted average assumptions used in the calculation of fair market value for SARS and stock units granted during the three and six months ended June 30, 2008 and 2007:

	SARS Three Months Ended June 30,		**Incentive Plan Stock Units Three Months Ended June 30,**		**Independent Directors Stock Units Three Months Ended June 30,**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Expected volatility	39.59%	41.23%	39.6%	41.20%		
Dividends yield	1.7%	2.0%	zero	zero		
Expected term	5.6 years	6.2 years	3.0 years	2.5 years		
Risk-free interest rate	2.74%	4.82%	2.63%	4.83%		

	SARS Six Months Ended June 30,		**Incentive Plan Stock Units Six Months Ended June 30,**		**Independent Directors Stock Units Six Months Ended June 30,**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Expected volatility	39.50%	41.23%	39.48%	41.20%	39.73%	41.82%
Dividends yield	1.9%	2.0%	zero	zero	zero	zero
Expected term	5.8 years	6.2 years	2.8 years	2.5 years	3.0 years	3.0 years
Risk-free interest rate	2.60%	4.82%	1.99%	4.83%	2.49%	5.00%

The following tables summarize the activity under the stock-based compensation plans for the six months ended June 30, 2008:

	Weighted Average	**Weighted Average Remaining**	**Aggregate**

Stock Options & SARS	Shares (In thousands)		Exercise Price	Contractual Term		Intrinsic Value (In millions)
Outstanding at December 31, 2007	8,159	$	20.80			
Granted	1,828		46.34			
Exercised	(1,287)		13.65			
Forfeited	(1,007)		32.79			
Outstanding at June 30, 2008	7,693	$	26.50	6.8 years	$	106.1
Exercisable at June 30, 2008	3,752	$	18.40	5.7 years	$	76.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Incentive Plan and Independent Directors Stock Units	Shares (In thousands)	Weighted Average Grant Date Fair Value	Aggregate Fair Value (In millions)
Outstanding and nonvested at December 31, 2007	273.9	$ 38.40	$ 10.5
Granted	495.8	45.43	22.5
Vested	(82.4)	36.76	(3.0)
Cancelled	(143.8)	46.07	(6.6)
Outstanding and nonvested at June 30, 2008	543.5	$ 43.03	$ 23.4

The weighted-average grant date fair value of stock awards granted during the three and six months ended June 30, 2008 was $23.64 and $21.97, respectively. The total intrinsic value of stock awards exercised during the three and six months ended June 30, 2008 was $7.5 million and $40.4 million, respectively.

Employee Stock Purchase Plan

During 2007, the Company adopted a qualified employee stock purchase plan, or ESPP, which was implemented during the first quarter of 2008. In connection with the adoption of the ESPP, the Company has reserved for issuance a total of 1 million common shares. Under the terms of the ESPP, rights to purchase common shares may be granted to eligible qualified employees subject to certain restrictions. The ESPP enables the Company s eligible employees, through payroll withholdings, to purchase a limited number of common shares at 85% of the fair market value of a common share at the purchase date. Purchases are made on a quarterly basis.

8. Income Taxes

As of June 30, 2008, the total amount of unrecognized tax benefits, related interest and penalties was $42.6 million, $9.0 million and $3.8 million, respectively. During the six months ended June 30, 2008, the Company recorded tax, interest and penalties related to uncertain tax positions of $3.4 million, $1.0 million and $0.6 million, respectively. The unrecognized tax benefits relate primarily to uncertainties from international transfer pricing issues and the deductibility of certain operating expenses in various jurisdictions. If the total amount of unrecognized tax benefits was recognized, $36.4 million of unrecognized tax benefits, $9.0 million of interest and $3.8 million of penalties, would impact the effective tax rate and $6.2 million would result in an increase to goodwill.

During the six months ended June 30, 2008, the Company benefited from the terms of a tax holiday in the People s Republic of China. The tax holiday commenced on January 1, 2008 and will terminate on December 31, 2012. Under the terms of the holiday, the Company is subject to a zero tax rate in China during the 2008 and 2009 years and a concessionary tax rate in China for the remaining years included in the holiday period.

9. Derivative Instruments and Hedging Activities

Interest Rate Risk Management

The Company engages in an interest rate hedging strategy for which the hedged transactions are forecasted interest payments on the Company s variable rate term loan. The hedged risk is the variability of forecasted interest rate cash flows, where the hedging strategy involves the purchase of interest rate swaps. For the outstanding cash flow hedges on interest rate exposures at June 30, 2008 the maximum length of time over which the Company is hedging these exposures is less than two years.

Under its senior secured credit facility, the Company is obligated to enter into interest rate hedges for up to 25% of the aggregate principal amount of the term loan for a minimum of three years. On August 23, 2006, the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Company entered into an interest rate swap agreement. The agreement provides for the Company to pay interest for a three-year period at a fixed rate of 5.26% on various notional amounts while receiving interest for the same period at the LIBOR rate on the same notional principal amounts. The swap has been designated as a cash flow hedge against the variability in LIBOR interest rate on the new term loan at LIBOR plus 1.50%, thereby fixing the Company s effective rate on the notional amounts at 6.76%. The Company formally assesses, both at inception and at least quarterly thereafter, whether the derivatives used in hedging transactions are effective in offsetting changes in cash flows of the hedged item. As of June 30, 2008 and December 31, 2007, the hedge relationship qualified as an effective hedge under SFAS 133, Consequently, all changes in the fair value of the derivative are deferred and recorded in other comprehensive income until the related forecasted transaction is recognized in the consolidated statements of income. The fair value of the interest rate swap agreement is based on third-party bank quotes and the Company recorded the interest rate swap as a liability at fair value of $1.3 million and $1.4 million as of June 30, 2008 and December 31, 2007, respectively.

Foreign Currency Instruments

The Company also designates certain derivatives, such as foreign currency forward and option contracts, as freestanding derivatives for which hedge accounting does not apply. The changes in the fair market value of the derivatives are included in selling, general and administrative expenses in the Company s consolidated statements of income. The Company uses foreign currency forward contracts to hedge foreign-currency-denominated intercompany transactions and to partially mitigate the impact of foreign currency fluctuations. The Company also uses foreign currency option contracts to partially mitigate the impact of foreign currency fluctuations. The fair value of the forward and option contracts are based on third-party bank quotes. As of June 30, 2008, all of the Company s outstanding foreign exchange forward and option contracts have maturity dates of less than one year. See Part I, Item 3 *Quantitative and Qualitative Disclosures About Market Risk* in this Quarterly Report on Form 10-Q for foreign currency instruments outstanding as of June 30, 2008.

10. Restructuring Reserve

In July 2006, the Company initiated the realignment of its employee base as part of the first phase of its Realignment for Growth plan and during the fourth quarter of 2007, the Company initiated the second phase of its Realignment for Growth plan. In connection therewith, the Company recorded $1.4 million and $1.8 million of professional fees, severance and related costs for the three and six months ended June 30, 2008, respectively. For the three and six months ended June 30, 2007, the Company recorded expenses related to the Realignment for Growth plan of $0.2 million and $1.7 million, respectively. All such amounts were included in selling, general and administrative expenses.

The Company expects to complete the second phase of the Realignment for Growth plan in 2008 and estimates that the corresponding severance and related cost that will be incurred for the full 2008 fiscal year will be approximately $3.0 million to $5.0 million.

The following table summarizes the components of this reserve as of June 30, 2008 (in millions):

	Severance	Retention Benefits	Others	Total
Balance as of December 31, 2007	$ 2.9	$	$ 0.6	$ 3.5
Charges	1.4		0.4	1.8
Cash payments	4.1		0.8	4.9
Balance as of June 30, 2008	$ 0.2	$	$ 0.2	$ 0.4

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11. Shareholders Equity

Dividends

During the second quarter of 2007, the Company s board of directors adopted a regular quarterly cash dividend program. On January 31, 2008, the Company s board of directors approved a quarterly cash dividend of $0.20 per common share in an aggregate amount of $12.9 million, for the fourth quarter of 2007 that was paid to shareholders of record on March 14, 2008. On May 1, 2008, the Company s board of directors approved a quarterly cash dividend of $0.20 per common share in an aggregate amount of $12.7 million, for the first quarter of 2008 that was paid to shareholders of record on June 13, 2008.

Share Repurchases

On April 18, 2007, the Company s board of directors authorized the repurchase of up to $300 million of the Company s common shares during the next two years, at such times and prices as determined by Company management, as market conditions warrant. On August 23, 2007, the Company s board of directors approved an increase of $150 million to the share repurchase program raising the total value of Company common shares authorized to be repurchased to $450 million. During the quarter ended March 31, 2008, the Company repurchased approximately 0.4 million of its common shares through open market purchases at an aggregate cost of $17.7 million or an average cost of $39.28 per share. On May 20, 2008, the Company s board of directors approved an additional increase of $150 million to the share repurchase program raising the total value of Company common shares authorized to be repurchased to $600 million. During the quarter ended, June 30, 2008, the Company repurchased approximately 1.8 million of its common shares through open market purchases at an aggregate cost of $76.5 million or an average cost of $43.23 per share. Since the inception of the share repurchase program, the Company repurchased approximately 11.3 million of its common shares at an aggregate cost of $460.0 million or an average cost of $40.82 per share.

The aggregate purchase price of the common shares repurchased was reflected as a reduction to shareholders equity. The Company allocated the purchase price of the repurchased shares as a reduction to retained earnings, common shares and additional paid-in-capital.

12. Earnings Per Share

Basic earnings per share represents net income for the period common shares were outstanding, divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share represents net income divided by the weighted average number of shares outstanding, inclusive of the effect of dilutive securities such as outstanding stock options, SARS, stock units and warrants.

The following are the share amounts used to compute the basic and diluted earnings per share for each period (in thousands):

	For the Three Months	For the Six Months

	Ended June 30,		Ended June 30,	
	2008	2007	2008	2007
Weighted average shares used in basic computations	64,282	70,616	64,301	71,180
Dilutive effect of exercise of equity grants outstanding	1,633	3,103	2,064	3,047
Dilutive effect of warrants	195	271	194	264
Weighted average shares used in diluted computations	66,110	73,990	66,559	74,491

Equity grants, such as stock options, SARS or stock units, to purchase or acquire 1.4 million common shares were outstanding during the three and six months ended June 30, 2008 but were not included in the computation of

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diluted earnings per share because the option exercise prices were greater than the average market price of a common share and therefore such options would be anti-dilutive. Equity grants, such as stock options, SARS or stock units, to purchase or acquire 0.9 million and 1.1 million common shares were outstanding during the three and six months ended June 30, 2007, respectively, but were considered anti-dilutive and were not included in the computation of diluted earnings per share.

13. Fair Value Measurement

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position, FAS 157-1, or FSP FAS 157-1. FSP 157-1 amends SFAS 157 to exclude SFAS 13, *Accounting for Leases*, and its related interpretive accounting pronouncements that address leasing transactions. On January 1, 2008, the Company adopted the provisions of SFAS 157 related to its financial assets and liabilities, except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The adoption did not have a material impact on the Company s consolidated financial statements.

SFAS 157, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability.

The Company measures certain assets and liabilities at fair value as discussed throughout the notes to its consolidated financial statements. Assets or liabilities that have recurring measurements and are measured at fair value are shown below:

Fair Value Measurements at Reporting Date Using

	June 30,	Quoted Prices in Active Markets for Identical Assets/Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs

Description	2008	(Level 1)	(Level 2)	(Level 3)
			(In millions)	
Financial Assets:				
Foreign currency option contracts	$ 1.4	$	$ 1.4	$
Total financial assets	$ 1.4	$	$ 1.4	$
Financial Liabilities:				
Foreign currency forward contracts	$ (4.6)	$	$ (4.6)	$
Interest rate swap	(1.3)		(1.3)	
Total financial liabilities	$ (5.9)	$	$ (5.9)	$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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In January 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS 159, which permits entities to choose to measure many financial instruments, and certain other items, at fair value. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The adoption of SFAS 159 did not have a material impact on the Company s consolidated financial statements.

14. Subsequent Event

On August 5, 2008, the Company announced that its board of directors has authorized a $0.20 per common share cash dividend for the second quarter of 2008, payable on September 10, 2008 to shareholders of record on August 27, 2008.

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Herbalife is a global network marketing company that sells weight management products, nutritional supplements, energy & fitness products and personal care products. We pursue our mission of changing people s lives by providing a financially rewarding business opportunity to distributors and quality products to distributors and their customers who seek a healthy lifestyle. We are one of the largest network marketing companies in the world with net sales of approximately $2.1 billion for the year ended December 31, 2007. As of June 30, 2008, we sell our products in 66 countries through a network of over 1.8 million independent distributors except in China, where we sell our products through retail stores and an employed sales force. We believe the quality of our products and the effectiveness of our distribution network, coupled with geographic expansion, have been the primary reasons for our success throughout our 28-year operating history. Unless otherwise noted, the terms we, our, us, Company and Herbalife refer to Herbalife Ltd. and its subsidiaries.

Our products are grouped in four principal categories: weight management, targeted nutrition, energy & fitness and Outer Nutrition. Our products are often sold in programs that are comprised of a series of related products designed to simplify weight management and nutrition for consumers and maximize our distributors cross-selling opportunities.

Industry-wide factors that affect us and our competitors include the increasing prevalence of obesity and the aging of the worldwide population, which are driving demand for nutrition and wellness-related products and the recruitment and retention of distributors.

The opportunities and challenges upon which we are most focused are: retailing of our products, recruitment and retention of distributors, improving distributor productivity, entering new markets, further penetrating existing markets including China, globalizing successful distributor methods of operation such as Nutrition Clubs, introducing new products, developing niche market segments and further investing in our infrastructure.

In late 2007, we changed our geographic regions from seven to five regions as part of our on-going Realignment for Growth plan. This updated regional structure allows us to better support the distributor leadership and enhance synergies within the regions. Under the new geographic regions, we report revenue from:

- North America, which consists of the U.S., Canada and Jamaica;
- Mexico and Central America, which consists of Mexico, Costa Rica, El Salvador, Panama and Dominican Republic;
- South America, which includes Brazil;
- EMEA, which includes Europe, the Middle East and Africa; and
- Asia Pacific, which includes Asia, New Zealand and Australia.

Historical information presented in this Quarterly Report on Form 10-Q relating to our geographic regions has been reclassified to conform with our current geographic presentation.

Volume Points by Geographic Region

A key non-financial measure we focus on is Volume Points on a Royalty Basis, or Volume Points, which is essentially our weighted unit measure of product sales volume. It is a useful measure for us, as it excludes the impact of foreign currency fluctuations and ignores the differences generated by varying retail pricing across geographic markets. In general, an increase in Volume Points in a particular geographic region or country indicates an increase in local currency net sales.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	% Change	2008	2007	% Change
	(Volume points in millions)					
North America	205.3	175.1	17.2%	383.4	337.3	13.7%
Mexico & Central America	161.7	155.2	4.2%	316.4	310.0	2.1%
South America	102.3	90.5	13.0%	214.5	173.6	23.6%
EMEA	129.0	136.5	(5.5)%	266.1	276.9	(3.9)%
Asia Pacific	143.8	113.7	26.5%	270.8	223.9	21.0%
Worldwide	742.1	671.0	10.6%	1,451.2	1,321.7	9.8%

Number of New Sales Leaders by Geographic Region during the Reporting Period

Another key non-financial measure on which we focus is the number of distributors qualified as new sales leaders under our compensation system. Excluding China, distributors qualify for supervisor status based on their Volume Points. The growth in the number of new sales leaders is a general indicator of the level of distributor recruitment, which generally drives net sales in a particular country or geographic region.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	% Change	2008	2007	% Change
North America	13,129	11,963	9.7%	22,139	20,971	5.6%
Mexico & Central America	8,643	9,740	(11.3)%	16,287	16,921	(3.7)%
South America	12,697	11,374	11.6%	25,188	20,251	24.4%
EMEA	8,522	9,079	(6.1)%	15,055	16,721	(10.0)%
Asia Pacific (excluding China)	11,367	10,311	10.2%	20,144	19,665	2.4%
Total New Supervisors	54,358	52,467	3.6%	98,813	94,529	4.5%
New China Sales Employees	7,867	3,645	115.8%	12,217	5,809	110.3%
Worldwide Total New Sales Leaders	62,225	56,112	10.9%	111,030	100,338	10.7%

Number of Supervisors and Retention Rates by Geographic Region as of Requalification Period

Our compensation system requires each supervisor to re-qualify for such status each year, prior to February, in order to maintain their 50% discount on product and be eligible to receive royalty payments. In February of each year, we demote from the rank of supervisor those distributors who did not satisfy the supervisor re-qualification requirements during the preceding twelve months. The re-qualification requirement does not apply to new supervisors (i.e. those who became supervisors subsequent to the January re-qualification of the prior year).

Supervisor Statistics (Excluding China)	**2008**	**2007**
	(In thousands)	
January 1 total supervisors	451.6	400.6
January & February new supervisors	28.6	26.7
Demoted supervisors (did not requalify)	(167.7)	(135.9)
Other supervisors (resigned, etc)	(2.8)	(1.4)
End of February total supervisors	309.7	290.0

The distributor statistics below further highlight the calculation for retention.

Supervisor Retention (Excluding China)	**2008**	**2007**
	(In thousands)	
Supervisors needed to requalify	284.0	236.2
Demoted supervisors (did not requalify)	(167.7)	(135.9)
Total requalified	116.3	100.3
Retention rate	41.0%	42.5%

The table below reflects the number of sales leaders as of February (subsequent to the annual re-qualification date) and supervisor retention rate by year and by region.

	Number of Sales Leaders		**Supervisor Retention Rate**	
	2008	**2007**	**2008**	**2007**
North America	64,383	54,314	43.5%	43.1%
Mexico & Central America	62,418	62,683	44.4%	55.2%
South America	66,075	51,302	34.4%	32.9%
EMEA	59,446	64,862	46.6%	46.2%
Asia Pacific (excluding China)	57,355	56,871	34.3%	35.0%

Total Supervisors	309,677	290,032	41.0%	42.5%
China Sales Employees	25,294	8,759		
Worldwide Total Sales Leaders	334,971	298,791		

The number of supervisors by geographic region as of the quarterly reporting dates will normally be higher than the number of supervisors by geographic region as of the requalification period because supervisors who do not re-qualify during the relevant twelve-month period will be dropped from the rank of supervisor the following February. Since supervisors purchase most of our products for resale to other distributors and consumers, comparisons of supervisor totals on a year-to-year, same period basis are good indicators of our recruitment and retention efforts in different geographic regions.

The value of the average monthly purchase of Herbalife products by our sales leaders has remained relatively constant over time. Consequently, increases in our sales are driven primarily by our retention of supervisors and by our recruitment and retention of distributors, rather than through increases in the productivity of our overall supervisor base.

We provide distributors with products, support materials, training, special events and a competitive compensation program. If a distributor wants to pursue the Herbalife business opportunity, the distributor is responsible for growing his or her business and personally pays for the sales activities related to attracting new customers and recruiting distributors by hosting events such as Herbalife Opportunity Meetings or Success Training Seminars; by advertising Herbalife s products; by purchasing and using promotional materials such as t-shirts, buttons and caps; by utilizing and paying for direct mail and print material such as brochures, flyers, catalogs, business cards, posters and banners and telephone book listings; by purchasing inventory for sale or use as samples; and by training, mentoring and following up (in person or via the phone or internet) with customers and recruits on how to use Herbalife products and/or pursue the Herbalife business opportunity.

Presentation

Retail sales represent the gross sales amounts on our invoices to distributors before distributor allowances, as defined below, and Net sales, which reflect distribution allowances and handling and freight income, represent what we collect and recognize as net sales in our financial statements. We discuss retail sales because of its fundamental role in our compensation systems, internal controls and operations, including its role as the basis upon which distributor discounts, royalties and bonuses are awarded. In addition, it is used as the basis for certain information included in daily and monthly reports reviewed by our management. However, such a measure is not in accordance with Generally Accepted Accounting Principles in the U.S., or GAAP. You should not consider retail sales in isolation from, nor as a substitute for, net sales and other consolidated income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity. A reconciliation of net sales to retail sales is presented below under Results of Operations. Product sales represent the actual product purchase price paid to us by our distributors, after giving effect to distributor discounts referred to as distributor allowances, which approximate 50% of retail sales prices. Distributor allowances as a percentage of retail sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances.

Our gross profit consists of net sales less cost of sales, which represents the prices we pay to our raw material suppliers and manufacturers of our products as well as costs related to product shipments, duties and tariffs, freight expenses relating to shipment of products to distributors and importers and similar expenses.

Royalty overrides are our most significant expense and consist of:

- royalty overrides and production bonuses which total approximately 15% and 7%, respectively, of the retail sales of weight management, targeted nutrition, energy & fitness, Outer Nutrition and promotional products;

- the Mark Hughes bonus payable to some of our most senior distributors in the aggregate amount of up to 1% of retail sales of weight management, targeted nutrition, energy & fitness and Outer Nutrition; and

- other discretionary incentive cash bonuses to qualifying distributors.

Royalty overrides are generally earned based on retail sales and approximate in the aggregate about 21% of retail sales or approximately 34% of our net sales. Royalty overrides together with distributor allowances represent the potential earnings to distributors of up to approximately 73% of retail sales. The compensation to distributors is generally for the development, retention and improved productivity of their distributor sales organizations and is paid to several levels of distributors on each sale. Due to restrictions on direct selling in China, our full-time employed sales representatives in China are compensated with wages, bonuses and benefits instead of the distributors earnings, distributor allowances and royalty overrides. Because of local country regulatory constraints, we may be required to modify our typical distributor incentive plans as described above. Consequently, the total distributor discount percentage may vary over time. We also offer reduced distributor allowances and pay reduced royalty overrides with respect to certain products worldwide.

Our operating margins consist of net sales less cost of sales and royalty overrides.

Selling, general and administrative expenses represent our operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, distributor marketing, occupancy costs, communication costs, bank fees, depreciation and amortization, foreign exchange gains and losses and other miscellaneous operating expenses.

Most of our sales to distributors outside the United States are made in the respective local currencies. In preparing our financial statements, we translate revenues into U.S. dollars using average exchange rates. Additionally, the majority of our purchases from our suppliers generally are made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and operating margins and can generate transaction losses on intercompany transactions. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. From time to time, we enter into foreign exchange forward and option contracts to mitigate our foreign currency exchange risk as discussed in further detail in Part I, Item 3 *Quantitative and Qualitative Disclosures about Market Risk.*

Summary Financial Results

Net sales for the three and six months ended June 30, 2008 increased 20.7% and 19.8% to $639.7 million and $1,244.1 million, respectively, compared to the same periods in 2007. For the three months ended June 30, 2008, net sales in several of the Company s top countries including, the U.S., Venezuela, China, Mexico and Italy increased 18.2%, 156.9%, 125.2%, 8.5% and 26.4%, respectively, as compared to the same period in 2007. For the six months ended June 30, 2008, net sales in top countries, including, the U.S., Venezuela, China, Mexico and Italy increased 16.3%, 212.9%, 119.7%, 4.0% and 27.9%, respectively, as compared to the same period in 2007. These increases in net sales were mainly due to a strong sales leader base, the continued success of our various daily methods of operations, or DMO s, like the Nutrition Club DMO, Internet/Sampling DMO and Wellness Coach DMO, the introduction of new operating methods like Commercial Clubs, Central Clubs and Weight Loss Challenge DMO s, distributor momentum from qualifications leading up to our recent sales Extravaganzas and an increase in the number of retail stores in China compared to the prior year period. Overall, the appreciation of foreign currencies had a $40.2 million and $76.6 million favorable impact on net sales for the three and six months ended June 30, 2008, respectively, representing 36.7% and 37.2% of the total net sales increase of $109.6 million and $205.9 million, respectively.

Net income for the three months ended June 30, 2008 increased 39.4% to $67.1 million, or $1.01 per diluted share, compared to $48.1 million, or $0.65 per diluted share, for the same period in 2007. Net income for the six months ended June 30, 2008 increased 45.0% to $129.4 million, or $1.94 per diluted share, compared to $89.3 million, or $1.20 per diluted share, for the same period in 2007. These increases were driven by revenue growth in many of our markets and a lower effective tax rate, partially offset by higher labor costs, sales events costs, advertising and promotion expenses and depreciation expense.

Net income for the three and six months ended June 30, 2008 included a $0.9 million and $1.1 million unfavorable after tax impact, respectively, in connection with the Realignment for Growth plan. Net income for the three months ended June 30, 2007 included the impact of a $0.6 million tax benefit resulting from an international income tax settlement. Net income for the six months ended June 30, 2007 included an unfavorable after tax impact of $1.0 million in connection with the Realignment for Growth plan, an increase in tax reserves of $3.6 million and the impact of a $0.6 million tax benefit resulting from an international income tax settlement.

Results of Operations

Our results of operations for the periods described below are not necessarily indicative of results of operations for future periods, which depend upon numerous factors, including our ability to recruit new distributors and retain existing distributors, open new markets, further penetrate existing markets, introduce new products and programs that will help our distributors increase their retail efforts and develop niche market segments.

The following table sets forth selected results of our operations expressed as a percentage of net sales for the periods indicated.

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Operations:				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	20.0	21.0	19.7	21.1
Gross profit	80.0	79.0	80.3	78.9
Royalty overrides	33.7	35.6	34.4	35.5
Selling, general and administrative expenses	31.7	28.7	31.2	29.1
Operating income	14.6	14.7	14.7	14.3
Interest expense, net	0.5	0.4	0.6	0.4
Income before income taxes	14.1	14.3	14.1	13.9
Income taxes	3.6	5.2	3.7	5.3
Net income	10.5%	9.1%	10.4%	8.6%

Net Sales

The following chart reconciles retail sales to net sales:

Sales by Geographic Region

	Three Months Ended June 30,									
	2008					2007				
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales
	(Dollars in millions)									
nerica	$ 213.4	$ (101.9)	$ 111.5	$ 21.7	$ 133.2	$ 184.2	$ (88.0)	$ 96.2	$ 17.7	$ 113.9
&										
	178.0	(86.9)	91.1	16.3	107.4	164.7	(80.2)	84.5	13.4	97.9
nerica	159.1	(77.6)	81.5	12.5	94.0	111.2	(55.2)	56.0	8.1	64.1
	259.5	(125.2)	134.3	25.6	159.9	237.6	(114.5)	123.1	22.9	146.0
fic	218.6	(86.3)	132.3	12.9	145.2	168.4	(71.3)	97.1	11.1	108.2

de	$ 1,028.6	$ (477.9)	$ 550.7	$ 89.0	$ 639.7	$ 866.1	$ (409.2)	$ 456.9	$ 73.2	$ 530.1

	Six Months Ended June 30,									
	2008					2007				
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales
	(Dollars in millions)									
nerica	$ 402.9	$ (192.1)	$ 210.8	$ 41.0	$ 251.8	$ 352.6	$ (168.2)	$ 184.4	$ 34.0	$ 218.4
&										
	341.6	(166.9)	174.7	30.3	205.0	326.0	(158.6)	167.4	26.4	193.8
nerica	343.9	(172.8)	171.1	24.9	196.0	213.9	(104.6)	109.3	15.7	125.0
	516.5	(249.4)	267.1	50.8	317.9	471.7	(227.2)	244.5	44.7	289.2
fic	417.5	(169.8)	247.7	25.7	273.4	333.1	(143.9)	189.2	22.6	211.8
de	$ 2,022.4	$ (951.0)	$ 1,071.4	$ 172.7	$ 1,244.1	$ 1,697.3	$ (802.5)	$ 894.8	$ 143.4	$ 1,038.2

Changes in net sales are directly associated with the recruiting and retention of our distributor force, retailing of our products, the quality and completeness of the product offerings that the distributor force has to sell and the number of countries in which we operate. Management s role, both in-country and at the corporate level is to provide distributors with a competitive and broad product line, encourage strong teamwork and leadership among the Chairman s Club and President s Team distributors and offer leading edge business tools to make doing business with Herbalife simple. Management uses the distributor marketing program coupled with educational and motivational tools and promotions to incentivize distributors to increase recruiting, retention and retailing, which in turn affect net sales. Such tools include Company sponsored sales events such as Extravaganzas and World Team Schools where large groups of distributors gather, thus allowing them to network with other distributors, learn recruiting, retention and retailing techniques from our leading distributors and become more familiar with how to market and sell our products and business opportunities. Accordingly, management believes that these development and motivation programs increase the productivity of the supervisor network. The expenses for such programs are included in selling, general and administrative expenses. Sales are driven by several factors, including the number and productivity of distributors and supervisors who continually build, educate and motivate their respective distribution and sales organizations. We also use event and non-event product promotions to motivate distributors to increase recruiting, retention and retailing activities. These promotions have prizes ranging from qualifying for events to product prizes and vacations. The costs of these promotions are included in selling, general and administrative expenses.

The factors described above have helped distributors increase their business, which in turn has driven growth in our business. The discussion below of net sales by geographic region further details some of the above factors and describes unique growth factors specific to certain major countries. We believe that the correct business foundation, coupled with ongoing training and promotional initiatives, is required to increase recruiting and retention of distributors and retailing our products. The correct business foundation includes strong country management that works closely with the distributor leadership, unified distributor leadership, a broad product line that appeals to local consumer needs, a favorable regulatory environment, a scalable and stable technology platform and an attractive distributor marketing plan. Initiatives, such as Success Training Seminars, World Team Schools, Promotional Events and regional Extravaganzas, are integral components of developing a highly motivated and educated distributor sales organization that will work toward increasing the recruitment and retention of distributors.

Our strategy will continue to include creating and maintaining growth within existing markets, while expanding into new markets. We expect to increase our spending in selling, general and administrative expenses to maintain or stimulate sales growth, while making strategic investments in new initiatives and in new markets. In addition, new ideas and DMOs are being generated in our regional markets and globalized where applicable, either by distributors, country management or corporate management. Examples of DMOs include the Nutrition Clubs in Mexico, the Total Plan in Brazil, the Wellness Coach in France and the Internet/Sampling in the U.S. Management s strategy is to review the applicability of expanding successful country initiatives throughout a region, and where appropriate, financially support the globalization of these initiatives.

North America

The North America region reported net sales of $133.2 million and $251.8 million for the three and six months ended June 30, 2008, respectively. Net sales increased $19.3 million, or 16.9%, and $33.4 million, or 15.3%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In local currency, net sales increased 16.7% and 14.9% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The fluctuation of foreign currency rates had a positive impact of $0.4 million and $0.9 million on net sales for the three and six months ended June 30, 2008, respectively. The overall increase was a result of net sales growth in the U.S. of $19.6 million, or 18.2% and $33.9 million, or 16.3%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007.

The increase in net sales in North America was led by distributor momentum behind the transformation to a daily consumption business model, especially the Nutrition Club DMO, and its extension into Commercial Clubs and Central Clubs, along with the emergence of the Weight Loss Challenge DMO. The mix of business in the

U.S. was 66% Spanish speaking and 34% Non-Spanish speaking for the three months ended June 30, 2008 and 64% and 36%, respectively, for the six months ended June 30, 2008.

New supervisors in the region increased 9.7% and 5.6% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. New supervisor growth in the United States was 10.4% and 6.5% for the three and six months ended June 30, 2008, as compared to the same period in 2007.

We believe the fiscal year 2008 net sales in North America should continue to show year over year positive growth primarily as a result of continued momentum in the United States behind expansion of the club concept and the Weight Loss Challenge DMO.

Mexico and Central America

The Mexico and Central America region reported net sales of $107.4 million and $205.0 million for the three and six months ended June 30, 2008, respectively. Net sales increased $9.5 million, or 9.7%, and $11.2 million, or 5.8%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In local currency, net sales increased by 5.1% and 2.4% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The fluctuation of foreign currency rates had a favorable impact of $4.5 million and $6.5 million on net sales for the three and six months ended June 30, 2008, respectively. Net sales in Mexico increased $8.0 million, or 8.5% and $7.6 million, or 4.0% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007.

The focus of both the Mexico management team and distributor leadership in 2007 was to build a solid foundation for long-term growth including infrastructure enhancements and training. In the second quarter of 2008, we introduced a new promotion, Club of Club Challenges , that we expect will be a catalyst for Nutrition Club growth and help drive deeper penetration across the Mexican market. In July 2008, the region hosted an Extravaganza in Mexico City that was attended by over 15,000 distributors.

New supervisors in the region decreased 11.3% and 3.7% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. Mexico s new supervisors decreased by 12.7% and 4.9% for the three and six months ended June 30, 2008, respectively.

We believe the fiscal year 2008 net sales in Mexico and Central America should show positive growth as a result of infrastructure enhancements, better trained distributors driving penetration across Mexico, focusing on retailing and recruiting via the Club of Clubs Challenge , and assuming continued favorable currency fluctuations.

South America

The South America region reported net sales of $94.0 million and $196.0 million for the three and six months ended June 30, 2008, respectively. Net sales increased $29.9 million, or 46.6%, and $71.0 million, or 56.8% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In local currency, net sales increased 33.7% and 43.7% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The fluctuation of foreign currency rates had an $8.3 million and $16.4 million favorable impact on net sales for the three and six months ended June 30, 2008, respectively. The increase in net sales in the region was attributable to net sales increases in Brazil, Venezuela, Peru and Bolivia.

In Brazil, the region s largest market, net sales increased 19.3% and 13.1% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, primarily due to favorable foreign exchange fluctuations. Also, the successful transformation into a more balanced mix of recruiting, retailing and retention via the Nutrition

Club DMO has helped ease the declining growth rate in this market.

Venezuela, the region s second largest market, experienced strong growth with net sales up 156.9%, or $15.2 million and 212.9%, or $33.9 million, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, reflecting strong distributor leadership focused on recruiting additional distributors coupled with price increases of 20% and 25%, in January and May 2008, respectively.

In July 2008, the region hosted a Brazil southeast Extravaganza in Rio de Janeiro. Year-to-date the region has hosted events that were attended by over 20,000 distributors.

New supervisors in the region increased 11.6% and 24.4% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The increase was driven by new supervisor growth in Venezuela which increased 69.8% and 148.1% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, Peru which increased 76.0% and 112.1%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007 and Bolivia which increased 126.8% and 173.0%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The increases were offset by declines in Brazil of 15.8% and 22.6% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, Argentina of 38.6% and 10.2% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007 and Colombia of 16.4% and 13.6% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007.

We believe the fiscal year 2008 net sales in South America should show positive growth reflecting the many successful DMO s, price increases and assuming continued favorable currency fluctuations.

EMEA

The EMEA region reported net sales of $159.9 million and $317.9 million for the three and six months ended June 30, 2008, respectively. Net sales increased $13.9 million, or 9.5%, and $28.7 million, or 9.9% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In local currency, net sales decreased 3.2% and 2.5% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. The fluctuation of foreign currency rates had a favorable impact on net sales of $18.5 million and $35.8 million for the three and six months ended June 30, 2008, respectively.

Among the largest markets in the region, Italy and France, reported net sales increases of 26.4% and 32.9%, respectively, while Spain reported a net sales decrease of 4.6% for the three months ended June 30, 2008, as compared to the same period in 2007. For the six months ended June 30, 2008, Italy, France and Spain reported net sales increases of 27.9%, 29.7% and 11.1%, respectively, as compared to the same period in 2007. Sales in the Netherlands increased 8.9% and 4.5% for the three months and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In addition, Eastern European countries have shown signs of potential long-term growth including a net sales increase in Russia of 40.4% and 52.3% and Poland of 62.2% and 58.9% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, driven by adoption of the Nutrition Club concept in the form of a Breakfast Club DMO. These increases were offset by declines in Germany and Portugal. Germany net sales declined 11.6% and 14.8% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, as it transitions to daily consumption models including Nutrition Clubs and Wellness Evaluations. Portugal net sales declined 49.5% and 37.2% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, due to weaker recruiting efforts.

In April and May 2008, EMEA hosted a series of Spring Spectaculars and Leadership Development Weekends in local markets across the region. In addition, in June EMEA hosted an Extravaganza in Barcelona that had over 16,000 distributors in attendance.

For the three and six months ended June 30, 2008, new supervisors for the region decreased 6.1% and 10.0%, respectively, with gains in Russia, France and Italy, which were up 37.7%, 27.2% and 20.7%, respectively, for the three months ended June 30, 2008 and 57.1%, 19.9% and 20.7%, respectively, for the six months ended June 30, 2008. The increases were offset by declines in Portugal, Germany and Spain of 59.7%, 36.8% and 13.4% respectively, for the three months ended June 30, 2008 and declines of 61.3%, 46.6% and 1.2%, respectively, for the six months ended June 30, 2008.

We expect 2008 net sales in EMEA to show a slight increase assuming continued favorable currency fluctuations.

Asia Pacific

The Asia Pacific region reported net sales of $145.2 million and $273.4 million for the three and six months ended June 30, 2008, respectively. Net sales increased $37.0 million, or 34.2%, and $61.6 million, or 29.1%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. In local currency, net sales increased 26.3% and 21.1% for the three and six months ended June 30, 2008, respectively, as compared to same period in 2007. The fluctuation of foreign currency rates had a favorable impact of $8.5 million and $16.9 million on net sales for the three and six months ended June 30, 2008, respectively. The increase in net sales in Asia Pacific was attributable to the increases in our five largest markets, China, Taiwan, Japan, South Korea and Malaysia.

Net sales in China, our largest market in the region, increased $21.6 million, or 125.2%, and $34.5 million, or 119.7%, for the three and six months ended June 30, 2008, respectively as compared to the same period in 2007. As of June 30, 2008, we had 88 stores in China across 29 Chinese provinces compared to 84 stores in 28 provinces as of June 30, 2007. As of July 20, 2008, we had 91 stores in 30 provinces. Additionally, we have a direct selling license in the Jiangsu province and in July 2008, we received approval for five additional direct selling licenses in the provinces of Beijing, Guangdong, Shandong, Zhejiang and Guizhou.

Net sales in Taiwan, our second largest market in the region, increased $5.2 million, or 19.1%, and $9.1 million, or 17.0%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. Adoption of the Nutrition Club DMO, in the form of Commercial Clubs, has been a positive catalyst for growth in this country.

Net sales in Japan, our third largest market in the region, increased $0.5 million, or 3.1%, and $2.6 million, or 7.0%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, primarily reflecting the benefit of foreign exchange fluctuations.

Net sales in South Korea, our fourth largest market in the region, increased $3.3 million, or 19.6%, and $4.3 million, or 13.2%, for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007, driven by the adoption of the Nutrition Club DMO, in the form of Commercial Clubs.

We hosted a regional Extravaganza in July in Bangkok with attendance of approximately 18,000 distributors.

New supervisors in the region, excluding China, increased 10.2% and 2.4% for the three and six months ended June 30, 2008, respectively, as compared to the same period in 2007. New supervisors for Taiwan, South Korea and Malaysia increased 16.9%, 13.8% and 109.8%, respectively, for the three months ended June 30, 2008. For the six months ended June 30, 2008, new supervisors for Taiwan, South Korea and Malaysia increased 8.7%, 12.7%, and 62.4%, respectively. The increases were offset by a decrease in Japan of 21.3% and 10.5%, for the three and six months ended June 30, 2008, respectively.

We believe the fiscal year 2008 net sales in Asia Pacific should continue to show positive year over year growth, primarily as a result of the expansion of our direct selling business in China, continued growth in other key markets and assuming continued favorable foreign currency fluctuations.

Sales by Product Category

	Three Months Ended June 30,										
	2008					2007					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Ch

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	(In millions)									
Management	$ 671.1	$ (323.9)	$ 347.2	$ 58.0	$ 405.2	$ 571.0	$ (280.4)	$ 290.6	$ 48.3	$ 338.9
ed Nutrition	216.0	(104.2)	111.8	18.7	130.5	177.1	(86.9)	90.2	15.0	105.2
and Fitness	43.9	(21.2)	22.7	3.8	26.5	37.7	(18.5)	19.2	3.2	22.4
Nutrition	64.9	(31.3)	33.6	5.7	39.3	57.6	(28.3)	29.3	4.8	34.1
ure, ional and	32.7	2.7	35.4	2.8	38.2	22.7	4.9	27.6	1.9	29.5
	$ 1,028.6	$ (477.9)	$ 550.7	$ 89.0	$ 639.7	$ 866.1	$ (409.2)	$ 456.9	$ 73.2	$ 530.1

	Six Months Ended June 30,									
	2008					2007				
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales
					(In millions)					
agement	$ 1,315.4	$ (641.7)	$ 673.7	$ 112.3	$ 786.0	$ 1,111.2	$ (545.5)	$ 565.7	$ 93.9	$ 659.6
trition	428.6	(209.1)	219.5	36.6	256.1	350.6	(172.1)	178.5	29.6	208.1
Fitness	84.5	(41.2)	43.3	7.2	50.5	72.1	(35.4)	36.7	6.1	42.8
ion	133.0	(64.9)	68.1	11.4	79.5	118.9	(58.4)	60.5	10.1	70.6
and	60.9	5.9	66.8	5.2	72.0	44.5	8.9	53.4	3.7	57.1
	$ 2,022.4	$ (951.0)	$ 1,071.4	$ 172.7	$ 1,244.1	$ 1,697.3	$ (802.5)	$ 894.8	$ 143.4	$ 1,038.2

Our emphasis on the science of weight management, energy and nutrition has resulted in product introductions such as *Niteworks*®, *Garden 7*®, *Best Defense*®, *Liftoff*®, *H3O*tm and a new Kids Line. Net sales of weight management products, targeted nutrition products and energy and fitness products increased for the three and six months ended June 30, 2008, as compared to the same periods in 2007, mainly due to the sales momentum discussed above. The increase in Outer Nutrition was primarily driven by higher sales of our Anti-Aging line for the three and six months ended June 30, 2008, as compared to the same periods in 2007. We expect growth rates within our product categories to vary from time to time as we launch new products.

Gross Profit

Gross profit was $511.7 million and $998.4 million for the three and six months ended June 30, 2008, respectively, as compared to $418.7 million and $819.6 for the same periods in 2007. As a percentage of net sales, gross profit for the three and six months ended June 30, 2008 was 80.0% and 80.3%, respectively, as compared to 79.0% and 78.9% for the same periods in 2007. The increase in gross profit percentage was primarily due to country mix and foreign exchange fluctuations. Generally, gross profit percentages do not vary significantly as a percentage of net sales other than due to product or country mix, ongoing cost reduction initiatives and provisions for slow moving and obsolete inventory. We are experiencing ingredient and product price pressure in the areas of soy, dairy products, plastics, and transportation reflecting current global economic trends. We believe that we have the ability to mitigate some of these cost increases through improved optimization of our supply chain coupled with select increases in the retail prices of our products.

Royalty Overrides

Royalty overrides as a percentage of net sales were 33.7% and 34.4% for the three and six months ended June 30, 2008, respectively, as compared to 35.6% and 35.5% in the same periods of 2007. The decrease for the three and six months ended June 30, 2008 was primarily due to changes in the mix of products and countries, and the increase in sales in China where compensation to our full-time employee sales representatives is included in selling, general and administrative expenses as opposed to royalty overrides where it is included for all other distributors under our worldwide marking plan. Generally, this ratio varies slightly from period to period due to changes in the mix of products and countries because full royalty overrides are not paid on certain products and in certain countries. Due to the structure of our global compensation plan coupled with expected sales increases in China, we expect to see an on-going reduction in royalty overrides as a percent of net sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of net sales were 31.7% and 31.2% for the three and six months ended June 30, 2008, respectively, as compared to 28.7% and 29.1% for the same periods in 2007.

For the three and six months ended June 30, 2008, selling, general and administrative expenses increased $51.0 million and $85.9 million to $203.1 million and $387.5 million, respectively, as compared to the same periods in 2007. The increase for the three and six months ended June 30, 2008 included $18.1 million and $30.8 million higher salaries and benefits, respectively, due primarily to normal merit increases and higher compensation costs associated with full-time employee sales representatives in China, a $3.4 million and $9.2 million higher distributor sales events costs, respectively, a $2.1 million and $4.5 million higher advertising and promotion expenses, respectively, and $3.1 million and $5.2 million higher depreciation and amortization, respectively, related mostly to the development of our technology infrastructure and the expansion and relocation to new facilities.

We expect 2008 selling, general and administrative expenses to increase in absolute dollars over 2007 levels reflecting general salary merit increases, continued investments in China, and various sales growth initiatives including sales events and promotions. As a result of these initiatives, selling, general and administrative expenses as a percentage of net sales should continue to be above 2007 levels.

Net Interest Expense

Net interest expense is as follows:

	Three Months Ended		Six Months Ended	
Net Interest Expense	**June 30, 2008**	**June 30, 2007**	**June 30, 2008**	**June 30, 2007**
	(Dollars in millions)			
Interest expense	4.9	3.8	10.4	7.4
Interest income	(1.7)	(1.5)	(3.4)	(2.9)
Net interest expense	$ 3.2	$ 2.3	$ 7.0	$ 4.5

The increase in interest expense for the three and six months ended June 30, 2008 as compared to the same period in 2007 was primarily due to the higher balance of long term borrowings, partially offset by lower interest rates, in 2008 as compared to 2007. See *Liquidity and Capital Resources* below for further discussion on our senior secured credit facility.

Income Taxes

Income taxes were $23.0 million and $46.5 million for the three and six months ended June 30, 2008, respectively, as compared to $27.7 million and $55.4 million for the same period in 2007. As a percentage of pre-tax income, the effective income tax rate was 25.5% and 26.4% for the three and six months ended June 30, 2008, respectively, as compared to 36.5% and 38.3% for the same periods in 2007. The decrease in the effective tax rate for the three and six months ended June 30, 2008, as compared to the same period in 2007, was primarily due to a decrease in the operating effective tax rate reflecting country mix, the tax holiday in China and the favorable impact of our global entity structuring and planning offset by an increase in unrecognized tax benefits during the quarter ended June 30, 2008.

Restructuring Costs

In July 2006, we initiated the realignment of our employee base as part of the first phase of the Realignment for Growth plan and during the fourth quarter of 2007, we initiated the second phase of the Realignment for Growth plan. We recorded $1.4 million and $1.8 million of professional fees, severance and related costs for the three and six months ended June 30, 2008, respectively. For the three and six months ended June 30, 2007, we recorded expenses related to the Realignment for Growth plan of $0.2 million and $1.7 million, respectively. All such amounts were included in selling, general and administrative expenses.

We expect to complete the second phase of the Realignment for Growth plan in 2008 and estimates that the corresponding severance and related cost that will be incurred for the full fiscal 2008 year will be approximately $3.0 million to $5.0 million.

Subsequent Event

On August 5, 2008, the Company announced that its board of directors has authorized a $0.20 per common share cash dividend for the second quarter of 2008, payable on September 10, 2008 to shareholders of record on August 27, 2008.

Liquidity and Capital Resources

We have historically met our working capital and capital expenditure requirements, including funding for expansion of operations, through net cash flows provided by operating activities. Our principal source of liquidity is our operating cash flows. Variations in sales of our products would directly affect the availability of funds. There are no material restrictions on the ability to transfer and remit funds among our international affiliated companies.

For the six months ended June 30, 2008, we generated $121.9 million of operating cash flow, as compared to $127.8 million for the same period in 2007. The decrease in cash generated from operations was primarily due to higher income tax payments, higher receivable balance resulting from a higher sales volume for the six months ended June 30, 2008 and an increase in inventory purchases, partially offset by an increase in operating income of $33.7 million driven by a 20% growth in net sales for the six months ended June 30, 2008 compared to the same period in 2007.

Capital expenditures, including capital leases, for the six months ended June 30, 2008 were $49.8 million, as compared to $22.6 million for the same period in 2007. The majority of these expenditures represented investments in management information systems, the development of our distributor internet initiatives, and the expansion of our facilities domestically and internationally. We expect to incur capital expenditures of approximately $103 million in 2008.

We entered into a $300.0 million senior secured credit facility, comprised of a $200.0 million term loan and a revolving credit facility of $100.0 million, with a syndicate of financial institutions as lenders in July 2006. The term loan matures on July 21, 2013 and the revolving credit facility is available until July 21, 2012. The term loan bears interest at LIBOR plus a margin of 1.5%, or the base rate, which represents the prime rate offered by major U.S. banks, plus a margin of 0.50%. The revolving credit facility bears interest at LIBOR plus a margin of 1.25%, or the base rate, which represents the prime rate offered by major U.S. banks, plus a margin of 0.25%. In March 2007, we made a prepayment of $29.5 million on our term loan borrowings. In September 2007, the credit agreement was amended increasing the revolving credit facility by $150.0 million to fund the increase in our share repurchase program discussed below. During 2007, we borrowed an aggregate amount of $293.7 million under the revolving credit facility to fund our share repurchase program and paid $85.0 million of the revolving credit facility. During the first quarter of 2008, we paid $30.0 million of the revolving credit facility. During the second quarter of 2008, we borrowed an aggregate amount of $40.0 million and paid $28.0 million of the revolving credit facility .

The following summarizes our contractual obligations including interest at June 30, 2008, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period						
	Total	2008	2009	2010	2011	2012	2013 & Thereafter
	(Dollars in millions)						
Borrowings under the senior credit facility	$ 399.5	$ 7.6	$ 15.1	$ 15.1	$ 15.0	$ 202.4	$ 144.3
Capital leases	5.6	1.3	1.8	1.0	0.8	0.7	
Operating leases	127.0	16.7	29.3	22.1	13.8	11.1	34.0
Other	45.4	11.6	14.6	13.9	5.3		
Total	$ 577.5	$ 37.2	$ 60.8	$ 52.1	$ 34.9	$ 214.2	$ 178.3

Off Balance Sheet Arrangements

At June 30, 2008 and December 31, 2007, we had no material off-balance-sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Share Repurchases

On April 18, 2007, our board of directors authorized the repurchase of up to $300 million of our common shares during the next two years, at such times and prices as determined by our management, as market conditions warrant. On August 23, 2007, our board of directors approved an increase of $150 million, raising the total value of our common shares authorized to be repurchased to $450 million. During 2007, we repurchased approximately 9.1 million common shares through open market purchases at an aggregate cost of $365.8 million, or an average cost of $40.39 per share. During the first quarter 2008, we repurchased approximately 0.4 million common shares through open market purchases at an aggregate cost of $17.7 million, or an average cost of $39.28 per share. On May 20, 2008, our board of directors approved an additional increase of $150 million to our previously authorized share repurchase program raising the total value of common shares authorized to be repurchased to $600 million. During the quarter ended, June 30, 2008, we repurchased approximately 1.8 million of our common shares through open market purchases at an aggregate cost of $76.5 million or an average cost of $43.23 per share. Since the inception of the share repurchase program, we have repurchased 11.3 million of the Company s common shares at an aggregate cost of $460.0 million or an average cost of $40.82 per share.

Dividends

During the second quarter of 2007, our board of directors adopted a regular quarterly cash dividend program. The aggregate amount of dividends paid and declared during fiscal year 2007 was $41.5 million. On January 31, 2008, our board of directors approved a quarterly cash dividend of $0.20 per common share or $12.9 million, for the fourth quarter of 2007 that was paid to shareholders of record on March 14, 2008. On May 1, 2008, our board of directors approved a quarterly cash dividend of $0.20 per common share in an aggregate amount of $12.7 million, for the first quarter of 2008 that was paid to shareholders of record on June 13, 2008.

Working Capital and Operating Activities

As of June 30, 2008 and December 31, 2007, we had positive working capital of $117.4 million and $111.5 million, respectively. Cash and cash equivalents were $162.4 million at June 30, 2008, compared to $187.4 million at December 31, 2007.

We expect that cash and funds provided from operations and available borrowings under our revolving credit facility will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including debt service on our term loan. There can be no assurance, however, that our business will service our debt, or fund our other liquidity needs.

The majority of our purchases from suppliers are generally made in U.S. dollars, while sales to our distributors generally are made in local currencies. Consequently, strengthening of the U.S. dollar versus a foreign currency can have a negative impact on operating margins and can generate transaction losses on intercompany transactions. For discussion of our foreign exchange contracts and other hedging arrangements, see Part 1, Item 3 *Quantitative and Qualitative Disclosures about Market Risks*.

Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars at the official foreign exchange rate. Unless official foreign exchange is made more readily available, the results of Herbalife Venezuela s operations could be negatively impacted as it may obtain more U.S. dollars from alternative sources where the exchange rate is weaker than the official rate.

At June 30, 2008, Herbalife Venezuela had cash balances of approximately $34.0 million, primarily denominated in bolivars. We continue to evaluate the political and economic environment in Venezuela and any potential changes which may affect our operations. We are currently making appropriate applications through the Venezuelan government for acquisition of U.S. dollars at the official exchange rate. Herbalife Venezuela s net sales represented less than 5% of consolidated worldwide net sales for the six months ended June 30, 2008.

Contingencies

We are from time to time engaged in routine litigation. We regularly review all pending litigation matters in which we are involved and establish reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International and certain of its independent distributors have been named as defendants in a purported class action lawsuit filed February 17, 2005, in the Superior Court of California, County of San Francisco, and served on Herbalife International on March 14, 2005 *(Minton v. Herbalife International, et al).* The case was transferred to the Los Angeles County Superior Court. The plaintiff is challenging the marketing practices of certain Herbalife International independent distributors and Herbalife International under various state laws prohibiting endless chain schemes, insufficient disclosure in assisted marketing plans, unfair and deceptive business practices and fraud and deceit. The plaintiff alleges that the Freedom Group system operated by certain independent distributors of Herbalife International products places too much emphasis on recruiting and encourages excessively large purchases of product and promotional materials by distributors. The plaintiff also alleges that Freedom Group pressured distributors to disseminate misleading promotional materials. The plaintiff seeks to hold Herbalife International vicariously liable for the actions of its independent distributors and is seeking damages and injunctive relief. On January 24, 2007, the Superior Court denied class certification of all claims, except for the claim under California law prohibiting endless chain schemes. That claim was granted California-only class certification, provided that class counsel is able to substitute in as a plaintiff a California resident with claims typical of the class. We believe that we have meritorious defenses to the suit.

Herbalife International and certain of its distributors were defendants in a class action lawsuit filed July 16, 2003, in the Circuit Court of Ohio County in the State of West Virginia *(Mey v. Herbalife International, Inc., et al).* The complaint alleged that certain telemarketing practices of certain Herbalife International distributors violated the Telephone Consumer Protection Act, or TCPA, and sought to hold Herbalife International vicariously liable for the practices of its independent distributors. More specifically, the plaintiffs complaint alleged that several of Herbalife International s distributors used pre-recorded telephone messages and faxes to contact prospective customers in violation of the TCPA s prohibition of such practices. Without in any way acknowledging liability or wrongdoing by us or our independent distributors, we and the other defendants reached a binding settlement with the plaintiffs. Under the terms of the settlement, the defendants collectively paid $7 million into a fund to be distributed to qualifying class members. The relevant amount paid by us was previously fully reserved in our financial statements. The settlement received the final approval of the Court in January 2008.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been and are currently subjected to various product liability claims. The effects of these claims to date have not been material to us, and the reasonably possible range of exposure on currently existing claims is not material to us. We believe that we have meritorious defenses to the allegations contained in the lawsuits. We currently maintain product liability insurance with an annual deductible of $10 million.

Certain of our subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. We and our tax advisors believe that there are substantial defenses to their allegations that additional taxes are owed, and we are vigorously contesting the additional proposed taxes and related charges.

These matters may take several years to resolve, and we cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material effect on our financial condition and operating results. This opinion is based on our belief that any losses we suffer would not be material and that we have meritorious defenses. Although we have reserved an amount that we believe represents the likely outcome of the resolution of these disputes, if we are incorrect in our assessment, we may have to record additional expenses.

Critical Accounting Policies

Our Consolidated Financial Statements are prepared in conformity with GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing the financial statements and the uncertainties that could impact our operating results, financial condition and cash flows.

We are a network marketing company that sells a wide range of weight management products, nutritional supplements, energy & fitness products and personal care products within one industry segment as defined under SFAS, No. 131, *Disclosures about Segments of an Enterprise and Related Information*, or SFAS 131. Our products are manufactured by third party providers and then sold to independent distributors who sell Herbalife products to retail consumers or other distributors. We sell products in 66 countries throughout the world and we are organized and managed by geographic region. We have elected to aggregate our operating segments into one reporting segment, as management believes that our operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers products are sold to, the methods used to distribute the products, and the nature of the regulatory environment.

Revenue is recognized when products are shipped and title passes to the independent distributor or importer or as products are sold in our retail stores in China. Amounts billed for freight and handling costs are included in net sales. We generally receive the net sales price in cash or through credit card payments at the point of sale. Related royalty overrides and allowances for product returns are recorded when the merchandise is shipped.

Allowances for product returns, primarily in connection with our buyback program, are provided at the time the product is shipped. This accrual is based upon historic return rates for each country and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Historically, product returns and buybacks have not been significant. Product returns and buybacks were approximately 0.7% of retail sales for the three and six months ended June 30, 2008, respectively. No material changes in estimates have been recognized for the three and six months ended June 30, 2008.

We record reserves against our inventory to provide for estimated obsolete or unsalable inventory based on assumptions about future demand for our products and market conditions. If future demand and market conditions are less favorable than management s assumptions, additional reserves could be required. Likewise, favorable future demand and market conditions could positively impact future operating results if previously reserved for inventory is sold. We reserved for obsolete and slow moving inventory totaling $13.3 million and $12.0 million as of June 30, 2008 and December 31, 2007, respectively.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill and other intangibles not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. This determination is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill and other intangibles over the implied fair value. The implied fair value is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141, *Business Combinations.* The residual fair value after this allocation is the implied fair value of the reporting unit s goodwill and other intangibles. As of June 30, 2008 and December 31, 2007 we had goodwill of approximately $111.3 million and $111.5 million, respectively, and marketing franchise of $310.0 million. No goodwill impairment was needed during the three and six months ended June 30, 2008.

Contingencies are accounted for in accordance with SFAS No. 5, *Accounting for Contingencies*, or SFAS 5. SFAS 5 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires us to use judgment. Many of these legal and tax contingencies can take years to be resolved. Generally, as the time period increases over which the uncertainties are resolved, the likelihood of changes to the estimate of the ultimate outcome increases.

Deferred income tax assets have been established for net operating loss carryforwards of certain foreign subsidiaries and have been reduced by a valuation allowance to reflect them at amounts estimated to be ultimately realized. The net operating loss carryforwards expire in varying amounts over a future period of time. Realization of the income tax carryforwards is dependent on generating sufficient taxable income prior to expiration of the carryforwards. Although realization is not assured, we believe it is more likely than not that the net carrying value of the income tax carryforwards will be realized. The amount of the income tax carryforwards that is considered realizable, however, could change if estimates of future taxable income during the carryforward period are adjusted.

We account for stock-based compensation in accordance with SFAS No. 123R, *Share-Based Payment*, or SFAS 123R. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating our stock price volatility and employee stock award exercise behaviors. Our expected volatility is primarily based upon the historical volatility of our common shares and, due to the limited period of public trading data for our common shares, it is also validated against the volatility of a company peer group. The expected life of awards is based on observed historical exercise patterns, which can vary over time. As stock-based compensation expense recognized in the Statements of Income is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

We account for uncertain tax positions in accordance with FIN 48, *Income taxes*, or FIN 48. FIN 48 addressed the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The impact of the adoption of FIN 48 did not have a material impact on our results of operations, financial condition or liquidity.

New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board or FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133*, or SFAS 161. SFAS 161 expands the disclosure requirements for derivative instruments and hedging activities. SFAS 161 specifically requires entities to provide enhanced disclosures addressing the following: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* or SFAS 133, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 161 on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position FAS 157-2, or FSP FAS 157-2. FSP FAS 157-2 will delay the effective date of SFAS No. 157, *Fair Value Measurement,* or SFAS 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP FAS 157-2 partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of

FSP 157-2. We are currently evaluating the potential impact, if any, of the adoption of FSP FAS 157-2 on our consolidated financial statements.

In December 2007, the FASB issued SFAS, No. 141 (revised 2007), *Business Combinations*, or SFAS 141R, which replaces SFAS No. 141, *Business Combinations*. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. SFAS 141R also modifies the recognition for preacquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research and development value in purchase accounting. SFAS 141R amends SFAS No. 109, *Accounting for Income Taxes*, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any, of the adoption of SFAS 141R on our consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates. On a selected basis, we use derivative financial instruments to manage or hedge these risks. All hedging transactions are authorized and executed pursuant to written guidelines and procedures.

We have adopted SFAS 133. SFAS 133, as amended and interpreted, established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the underlying hedged item are recognized concurrently in earnings. If the derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income, or OCI, and are recognized in the statement of operations when the hedged item affects earnings. SFAS 133 defines the requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized concurrently in earnings.

A discussion of our primary market risk exposures and derivatives is presented below.

Foreign Exchange Risk

We enter into foreign exchange derivatives in the ordinary course of business primarily to reduce exposure to currency fluctuations attributable to intercompany transactions and translation of local currency revenue. All of these foreign exchange contracts are designated as free standing derivatives for which hedge accounting does not apply.

Foreign exchange forward contracts are used to hedge advances between subsidiaries and to partially mitigate the impact of foreign currency fluctuations. Foreign exchange option contracts are also used to mitigate the impact of foreign currency fluctuations. The objective of these contracts is to neutralize the impact of foreign currency movements on the operating results of our subsidiaries. The fair value of forward and option contracts is based on third-party bank quotes. All of our foreign exchange forward and option contracts have a maturity of less than one year as of June 30, 2008.

The following table provides information about the details of our foreign exchange forward contracts as of June 30, 2008:

Foreign Currency	Average Contract Rate	Notional Amount (In millions)	Fair Value (In millions)
At June 30, 2008			
Buy EUR sell MXN	16.25	$ 60.9	$ 0.1
Buy SEK sell EUR	9.41	$ 2.6	$
Buy GBP sell EUR	0.79	$ 2.5	$
Buy MYR sell EUR	5.09	$ 0.7	$
Buy NZD sell EUR	2.08	$ 0.8	$
Buy DKK sell EUR	7.46	$ 1.7	$
Buy PLN sell EUR	3.36	$ 0.2	$
Buy NOK sell EUR	7.97	$ 2.4	$
Buy JPY sell EUR	168.14	$ 23.0	$ 0.2
Buy TWD sell EUR	46.39	$ 5.5	$ (0.1)
Buy USD sell EUR	1.54	$ 177.5	$ (3.6)
Buy USD sell BRL	1.84	$ 4.8	$ (0.5)
Buy USD sell JPY	98.79	$ 20.4	$ 1.2
Buy USD sell MXN	11.03	$ 84.6	$ (4.0)
Buy EURO sell USD	1.53	$ 79.1	$ 1.7
Buy MXN sell USD	10.59	$ 88.2	$ 0.4
Total forward contracts		$ 554.9	$ (4.6)

The following table provides information about the details of our foreign exchange option contracts as of June 30, 2008:

Foreign Currency	Coverage (In millions)	Average Strike Price	Fair Value (In millions)
Purchase Puts (Company may sell EURO/buy USD) Euro	$ 72.6	1.52 - 1.53	$ 0.7
Purchase Puts (Company may sell MXN/buy USD) Mexican Peso	$ 88.2	10.50 - 10.76	$ 0.7
Total option contracts	$ 160.8		$ 1.4

All our foreign subsidiaries designate their local currencies as their functional currency. At June 30, 2008 and December 31, 2007, the total amount of our foreign subsidiary cash was $138.5 million and $154.8 million, respectively, of which $3.3 million and $8.4 million, respectively, was invested in U.S. dollars.

Interest Rate Risk

As of June 30, 2008, the aggregate annual maturities of the senior secured credit facility entered into on July 2006, as amended, were: 2008-$0.7 million; 2009-$1.5 million; 2010-$1.5 million; 2011-$1.5 million; 2012-$192.2 million and $140.9 million thereafter. The fair value of the senior secured credit facility approximates its carrying value of $338.3 million as of June 30, 2008 and $357.1 million as of December 31, 2007. The senior secured credit facility bears a variable interest rate, and on June 30, 2008 and December 31, 2007, the average interest rate was 3.99% and 6.26%, respectively.

Under our senior secured credit facility, we are obligated to enter into an interest rate hedge for up to 25% of the aggregate principal amount of term loan for a minimum of three years. On August 23, 2006, we entered into a new interest rate swap agreement. This agreement provides for us to pay interest for a three-year period at a fixed rate of 5.26% on the initial notional principal amount of $180.0 million while receiving interest for the same period at the LIBOR rate on the same notional principal amount. The notional amount is scheduled to be reduced by $20 million in the second, third and fourth quarters of each year commencing January 1, 2007, throughout the term of the swap. The swap has been designated as a cash flow hedge against the variability in LIBOR interest rate on the new term loan at LIBOR plus 1.50%, thereby fixing our effective rate on the notional amounts at 6.76%. As of December 31, 2007 the swap notional amount was reduced to $100.0 million as scheduled. As of June 30, 2008, the swap notional amount was $80.0 million. As of June 30, 2008 and December 31, 2007, we recorded the interest rate swap as a liability at fair value of $1.3 million and $1.4 million, respectively, with the offsetting amounts recorded in other comprehensive income.

Item 4. ***Controls And Procedures***

Evaluation of Disclosure Controls and Procedures. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2008.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect or anticipate and any other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:

- our relationship with, and our ability to influence the actions of, our distributors;

- adverse publicity associated with our products or network marketing organization;

- uncertainties relating to interpretation and enforcement of recently enacted legislation in China governing direct selling;

our inability to obtain the necessary licenses to expand our direct selling business in China;

adverse changes in the Chinese economy, Chinese legal system or Chinese governmental policies;

improper action by our employees or international distributors in violation of applicable law;

changing consumer preferences and demands;

loss or departure of any member of our senior management team which could negatively impact our distributor relations and operating results;

the competitive nature of our business;

regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products, and network marketing program including the direct selling market in which we operate;

risks associated with operating internationally, including foreign exchange and devaluation risks;

our dependence on increased penetration of existing markets;

contractual limitations on our ability to expand our business;

our reliance on our information technology infrastructure and outside manufacturers;

the sufficiency of trademarks and other intellectual property rights;

product concentration;

our reliance on our management team;

uncertainties relating to the application of transfer pricing, duties, value added taxes, and similar tax regulations;

taxation relating to our distributors;

product liability claims; and

whether we will purchase any of our shares in the open markets or otherwise.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Quarterly Report on Form 10-Q, including under the heading Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and in our Consolidated Financial Statements and the related Notes.

Forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date hereof, and forward-looking statements in documents attached that are incorporated by reference speak only as of the date of those documents. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

PART II. OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

See discussion under Note 4 to the Notes to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

On September 20, 2007, the Company was orally advised by the Los Angeles Regional Office of the Securities and Exchange Commission, or the SEC, that the SEC had issued a formal order of investigation into the timing of trading in Herbalife securities by a former mid-level employee. The Company does not believe these trades involve the Company itself. In addition, on November 1, 2007, the Company received a voluntary request for the production of documents from the staff of the Los Angeles Regional Office of the SEC regarding the extent of personal use of Herbalife products by the Company s distributors and the Company s related policies and procedures. The SEC has advised the Company that its inquiry should not be construed as an adverse reflection on any person, the Company or its common shares, or as an indication from the SEC or its staff that any violation of law has occurred. On June 19, 2008, the Company received written notification from the SEC that it had concluded its investigations and that it did not intend to recommend any enforcement action be taken by the SEC against the Company. The Company cooperated fully with the staff of the SEC in these matters.

Item 1.a ***RISK FACTORS***

Our failure to establish and maintain distributor relationships for any reason could negatively impact sales of our products and harm our financial condition and operating results.

We distribute our products exclusively through over 1.8 million independent distributors, and we depend upon them directly for substantially all of our sales. To increase our revenue, we must increase the number of, or the productivity of, our distributors. Accordingly, our success depends in significant part upon our ability to recruit, retain and motivate a large base of distributors. There is a high rate of turnover among our distributors, a characteristic of the network marketing business. The loss of a significant number of distributors for any reason could negatively impact sales of our products and could impair our ability to attract new distributors. In our efforts to attract and retain distributors, we compete with other network marketing organizations, including those in the weight management, dietary and nutritional supplement and personal care and cosmetic product industries. Our operating results could be harmed if our existing and new business opportunities and products do not generate sufficient interest to retain existing distributors and attract new distributors.

In light of the high year-over-year rate of turnover in our distributor base, we have our supervisors re-qualify annually in order to help us maintain a more accurate count of their numbers. For the latest twelve month re-qualification period ending January 2008, 41.0% of our supervisors re-qualified. Distributors who purchase our product for personal consumption or for short-term income goals may stay with us for several months to one year. Supervisors who have committed time and effort to build a sales organization will generally stay for longer periods. Distributors have highly variable levels of training, skills and capabilities. The turnover rate of our distributors, and our operating results, can be adversely impacted if we, and our senior distributor leadership, do not provide the necessary mentoring, training and business support tools for new distributors to become successful sales people in a short period of time.

We estimate that, of our over 1.8 million independent distributors, we had approximately 412,000 sales leaders as of June 30, 2008. These sales leaders, together with their downline sales organizations, account for substantially all of our revenues. Our distributors, including our sales leaders, may voluntarily terminate their distributor agreements with us at any time. The loss of a group of leading sales leaders, together with their downline sales organizations, or the loss of a significant number of distributors for any reason, could negatively impact sales of our products, impair our ability to attract new distributors and harm our financial condition and operating results.

Since we cannot exert the same level of influence or control over our independent distributors as we could were they our own employees, our distributors could fail to comply with our distributor policies and procedures, which could result in claims against us that could harm our financial condition and operating results.

Excluding our China sales employees, our distributors are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if distributors were our own employees. As a result, there can be no assurance that our distributors will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our distributor policies and procedures.

Extensive federal, state and local laws regulate our business, products and network marketing program. Because we have expanded into foreign countries, our policies and procedures for our independent distributors differ due to the different legal requirements of each country in which we do business. While we have implemented distributor policies and procedures designed to govern distributor conduct and to protect the goodwill associated with Herbalife trademarks and tradenames, it can be difficult to enforce these policies and procedures because of the large number of distributors and their independent status. Violations by our independent distributors of applicable law or of our policies and procedures in dealing with customers could reflect negatively on our products and operations and harm our business reputation. In addition, it is possible that a court could hold us civilly or criminally accountable based on vicarious liability because of the actions of our independent distributors.

Adverse publicity associated with our products, ingredients or network marketing program, or those of similar companies, could harm our financial condition and operating results.

The size of our distribution force and the results of our operations may be significantly affected by the public s perception of the Company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of our products and ingredients;
- the safety and quality of similar products and ingredients distributed by other companies;
- our distributors;
- our network marketing program; and
- the direct selling business generally.

Adverse publicity concerning any actual or purported failure of our Company or our independent distributors to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of our network marketing program, the licensing of our products for sale in our target markets or other aspects of our business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of our Company and could negatively affect our ability to attract, motivate and retain distributors, which would negatively impact our ability to generate revenue. We cannot ensure that all distributors will comply with applicable legal requirements relating to the advertising, labeling, licensing or distribution of our products.

In addition, our distributors and consumers perception of the safety and quality of our products and ingredients as well as similar products and ingredients distributed by other companies can be significantly influenced by media attention, publicized scientific research or findings, widespread product liability claims and other publicity concerning our products or ingredients or similar products and ingredients distributed by other companies. For example, in May 2008 public allegations were made that certain of our products contain excessive amounts of lead thereby triggering disclosure and labeling requirements under California Proposition 65. While we have confidence in our products because they fall within the FDA suggested guidelines for the amount of lead that consumers can safely ingest and do not believe they trigger disclosure or labeling requirements under California Proposition 65, negative publicity such as this can disrupt our business. Adverse publicity, whether or not accurate or resulting from consumers use or misuse of our products, that associates consumption of our products or ingredients or any similar products or ingredients with illness or other adverse effects, questions the benefits of our or similar products or claims that any such products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could lead to lawsuits or other legal challenges and could negatively impact our reputation, the market demand for our products, or our general business.

From time to time we receive inquiries from government agencies and third parties requesting information concerning our products. We fully cooperate with these inquiries including, when requested, by the submission of detailed technical dossiers addressing product composition, manufacturing, process control, quality assurance, and contaminant testing. We understand that such materials are undergoing review by regulators in certain markets. In the course of one such inquiry the Spanish Ministry of Health elected to issue a press release to inform the public of their on-going inquiry and dialogue with our Company. We are confident in the safety of our products when used as directed. However, there can be no assurance that regulators in these or other markets will not take actions that might delay or prevent the introduction of new products, or require the reformulation or the temporary or permanent withdrawal of certain of our existing products from their markets.

Adverse publicity relating to us, our products or our operations, including our network marketing program or the attractiveness or viability of the financial opportunities provided thereby, has had, and could again have, a negative effect on our ability to attract, motivate and retain distributors. In the mid-1980 s, our products and marketing program became the subject of regulatory scrutiny in the United States, resulting in large part from claims and representations made about our products by our independent distributors, including impermissible therapeutic claims. The resulting adverse publicity caused a rapid, substantial loss of distributors in the United States and a corresponding reduction in sales beginning in 1985. We expect that negative publicity will, from time to time, continue to negatively impact our business in particular markets.

Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our distributor and customer relationships and product sales and harm our financial condition and operating results.

Our business is subject to changing consumer trends and preferences, especially with respect to weight management products. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not respond in a timely or commercially appropriate manner to such changes. Furthermore, the nutritional supplement industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. Our failure to accurately predict these trends could negatively impact consumer opinion of our products, which in turn could harm our customer and distributor relationships and cause the loss of sales. The success of our new product offerings and enhancements depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could be rendered obsolete, which could negatively impact our revenues, financial condition and operating results.

Due to the high level of competition in our industry, we might fail to retain our customers and distributors, which would harm our financial condition and operating results.

The business of marketing weight management and nutrition products is highly competitive and sensitive to the introduction of new products or weight management plans, including various prescription drugs, which may rapidly capture a significant share of the market. These market segments include numerous manufacturers, distributors, marketers, retailers and physicians that actively compete for the business of consumers both in the United States and abroad. In addition, we anticipate that we will be subject to increasing competition in the future from sellers that utilize electronic commerce. Some of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and sales resources, greater name recognition, larger established customer bases and better-developed distribution channels than we do. Our present or future competitors may be able to develop products that are comparable or superior to those we offer, adapt more quickly than we do to new technologies, evolving industry trends and standards or customer requirements, or devote greater resources to the development, promotion and sale of their products than we do. For example, if our competitors develop other diet or weight loss treatments that prove to be more effective than our products, demand for our products could be reduced. Accordingly, we may not be able to compete effectively in our markets and competition may intensify.

We are also subject to significant competition for the recruitment of distributors from other network marketing organizations, including those that market weight management products, dietary and nutritional supplements and personal care products as well as other types of products. We compete for global customers and distributors with regard to weight management, nutritional supplement and personal care products. Our competitors include both direct selling companies such as NuSkin Enterprises, Nature s Sunshine, Alticor/Amway, Melaleuca, Avon Products, Oriflame and Mary Kay, as well as retail establishments such as Weight Watchers, Jenny Craig, General Nutrition Centers, Wal-Mart and retail pharmacies.

In addition, because the industry in which we operate is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge who will compete with us for our distributors and customers. In addition, the fact that our distributors may easily enter and exit our network marketing program contributes to the level of competition that we face. For example, a distributor can enter or exit our network marketing system with relative ease at any time without facing a significant investment or loss of capital because (1) we have a low upfront financial cost to become a Herbalife distributor, (2) we do not require any specific amount of time to work as a distributor, (3) we do not insist on any special training to be a distributor and (4) we do not prohibit a new distributor from working with another company. Our ability to remain competitive therefore depends, in significant part, on our success in recruiting and retaining distributors through an attractive compensation plan, the maintenance of an attractive product portfolio and other incentives. We cannot ensure that our programs for recruitment and retention of distributors will be successful, and if they are not, our financial condition and operating results would be harmed.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints both domestically and abroad, and our failure or our distributors failure to comply with these restraints could lead to the imposition of significant penalties or claims, which could harm our financial condition and operating results.

In both domestic and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, importation, exportation, licensing, sale and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions. There can be no assurance that we or our distributors are in compliance with all of these regulations. Our failure or our distributors failure to comply with these regulations or new regulations could lead to the imposition of significant penalties or claims and could negatively impact our business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our products, resulting in significant loss of sales revenues.

In April, 2006, the FTC issued a notice of proposed rulemaking which, if implemented in its originally proposed form, would have regulated all sellers of business opportunities in the United States. As originally proposed this rule would have applied to us and, if adopted in its proposed form, could have adversely impacted our U.S. business. On March 18, 2008, the FTC issued a revised proposed rule and, as indicated in the announcement accompanying the proposed rule, the revised proposal does not attempt to cover multilevel marketing companies such as Herbalife. If the revised rule were implemented as it is now proposed, we believe that it would not significantly impact our U.S. business. Based on information currently available, we anticipate that the rule may require a year or more to become final.

Governmental regulations in countries where we plan to commence or expand operations may prevent or delay entry into those markets. In addition, our ability to sustain satisfactory levels of sales in our markets is dependent in significant part on our ability to introduce additional products into such markets. However, governmental regulations in our markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of our products. For example, during the third quarter of 1995, we received inquiries from certain governmental agencies within Germany and Portugal regarding our product, *Thermojetics®* Instant Herbal Beverage, relating to the caffeine content of the product and the status of the product as an instant tea, which was disfavored by regulators, versus a beverage. Although we initially suspended the product sale in Germany and Portugal at the request of the regulators, we successfully reintroduced it once regulatory issues were satisfactorily resolved. In another example, during the second quarter of 2008 the Spanish Ministry of Health issued a press release informing the public of its on-going inquiry into the safety of our Company s products sold in Spain. Any such regulatory action, whether or not it results in a final determination adverse to us, could create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on sales.

On June 25, 2007, the FDA published its final rule for cGMPs affecting the manufacture, packing, and holding of dietary supplements. The final rule requires identity testing on all incoming dietary ingredients, but permits the use of certificates of analysis or other documentation to verify the reliability of the ingredient suppliers. On the same date the FDA also published an interim final rule that outlined a petition process for manufacturers to request an exemption to the cGMP requirement for 100 percent identity testing of specific dietary ingredients used in the processing of dietary supplements. Under the interim final rule the manufacturer may be exempted from the dietary ingredient testing requirement if it can provide sufficient documentation that the reduced frequency of testing requested would still ensure the identity of the dietary ingredient. The final rule includes a phased-in effective date based on the size of the manufacturer. The final rule and the interim final rule became effective August 24, 2007. To limit any disruption for dietary supplements produced by small businesses the final rule has a three year phase in for small businesses. Firms that directly employ more than 500 full-time equivalent employees must have achieved compliance with the new cGMPs by June 25, 2008, while firms having between 20-500 full-time equivalent employees must be compliant by 2009 and firms having under 20 full-time equivalent employees must be compliant by 2010. Herbalife initiated enhancements, modifications and improvements to its manufacturing and corporate quality processes and believes we are compliant with the FDA s cGMP final rule with respect to dietary supplements sold by Herbalife in the United States that the Company produces at its Suzhou, China facility and that are produced by contract manufacturer NBTY. These rules apply only to manufacturers and holders of finished products and not to ingredient suppliers unless the ingredient supplier is manufacturing a final dietary supplement. The final rule differs from the FDA s 2003 proposed rule as it does not contain language regarding the regulatory status of excipients and other ingredients that are not dietary ingredients. Instead, the final rule relies on a requirement to comply with all other relevant regulations. Further, the final rule does not call for any specific finished product testing program nor does it require 100% testing of all finished products. Instead the final rule calls for a scientifically valid system for ensuring that finished products meet all specifications. The final cGMP rules will result in additional costs and possibly the need to seek alternate suppliers.

Our network marketing program could be found to be not in compliance with current or newly adopted laws or regulations in one or more markets, which could prevent us from conducting our business in these markets and harm our financial condition and operating results.

Our network marketing program is subject to a number of federal and state regulations administered by the FTC and various state agencies in the United States as well as regulations on direct selling in foreign markets administered by foreign agencies. We are subject to the risk that, in one or more markets, our network marketing program could be found not to be in compliance with applicable law or regulations. Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as pyramid or chain sales schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization s products rather than investments in the organization or other non-retail sales-related criteria. The regulatory requirements concerning network marketing programs do not include bright line rules and are inherently fact-based, and thus, even in jurisdictions where we believe that our network marketing program is in full compliance with applicable laws or regulations governing network marketing systems, we are subject to the risk that these laws or regulations or the enforcement or interpretation of these laws and regulations by governmental agencies or courts can change. The failure of our network marketing program to comply with current or newly adopted regulations could negatively impact our business in a particular market or in general.

We are also subject to the risk of private party challenges to the legality of our network marketing program. The multi-level marketing programs of other companies have been successfully challenged in the past, and in a current lawsuit, allegations have been made challenging the legality of our network marketing program in Belgium. Test Ankoop-Test Achat, a Belgian consumer protection organization, sued Herbalife International Belgium, S.V., or HIB, on August 26, 2004, alleging that HIB violated Article 84 of the Belgian Fair Trade Practices Act by engaging in pyramid selling, *i.e.*, establishing a network of professional or non-professional sales people who hope to make a profit more through the expansion of that network than through the sale of products to end-consumers. The plaintiff is seeking a payment of 25,000 (equal to approximately $39,500 as of June 30, 2008) per purported violation as well as costs of the trial. For the year ended December 31, 2007, our net sales in Belgium were approximately $16.0 million. Currently, the lawsuit is in the pleading stage. The plaintiffs filed their initial brief on September 27, 2005. We filed a reply brief on May 9, 2006. There is no date yet for the oral hearings. An adverse judicial determination with respect to our network marketing program, or in proceedings not involving us directly but which challenge the legality of multi-level marketing systems, in Belgium or in any other market in which we operate, could negatively impact our business.

We learned on November 5, 2007 that Barry Minkow of the Fraud Discovery Institute had published a letter, dated October 29, 2007, to certain officials of the government of the People s Republic of China. The letter includes numerous allegations of allegedly wrongful conduct by Herbalife and its employees in China and elsewhere. Mr. Minkow s letter attacks, among other things, our business practices in China as illegal under Chinese law. Contrary to the allegations in the letter, we have acted in a responsible manner with regard to our business plans in China including retaining knowledgeable Chinese counsel to assist it in complying with Chinese law. In connection with our application for our direct selling license in China, our plan and methods for business in China were reviewed by members of the state and provincial governments of China and an initial license was granted in March 2007 and a subsequent expansion of that license was granted in July 2007. In addition, we have designed and implemented systems and financial and operational controls intended to ensure compliance with applicable law. Mr. Minkow has subsequently published additional allegations regarding the Company, the Company s senior management team, and the Company s business practices in China and elsewhere. We believe that our plan and methods for business in China and elsewhere are in compliance with applicable law and we believe that the alleged misrepresentations from the Company s senior management team are unfounded, without basis or substantiation, and do not constitute misrepresentations.

A substantial portion of our business is conducted in foreign markets, exposing us to the risks of trade or foreign exchange restrictions, increased tariffs, foreign currency fluctuations and similar risks associated with foreign operations.

Approximately 80% of our net sales for the year ended December 31, 2007, were generated outside the United States, exposing our business to risks associated with foreign operations. For example, a foreign government may impose trade or foreign exchange restrictions or increased tariffs, which could negatively impact our operations. We are also exposed to risks associated with foreign currency fluctuations. For instance, purchases from suppliers are generally made in U.S. dollars while sales to distributors are generally made in local currencies. Accordingly, strengthening of the U.S. dollar versus a foreign currency could have a negative impact on us. Although we engage in transactions to protect against risks associated with foreign currency fluctuations, we cannot be certain any hedging activity will effectively reduce our exchange rate exposure. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As we continue to focus on expanding our existing international operations, these and other risks associated with international operations may increase, which could harm our financial condition and operating results.

Currency restrictions enacted by the Venezuelan government in 2003 have become more restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars at the official foreign exchange rate. Unless our ability to obtain U.S. dollars at the official foreign exchange rate is made more readily available, the results of Herbalife Venezuela s operations could be negatively impacted as it may need to obtain more U.S. dollars from alternative sources where the exchange rate is weaker than the official rate.

Our expansion in China is subject to general, as well as industry-specific, economic, political and legal developments and risks in China and requires that we utilize a different business model from which we use elsewhere in the world.

Our expansion of operations into China is subject to risks and uncertainties related to general economic, political and legal developments in China, among other things. The Chinese government exercises significant control over the Chinese economy, including but not limited to controlling capital investments, allocating resources, setting monetary policy, controlling foreign exchange and monitoring foreign exchange rates, implementing and overseeing tax regulations, providing preferential treatment to certain industry segments or companies and issuing necessary licenses to conduct business. Accordingly, any adverse change in the Chinese economy, the Chinese legal system or Chinese governmental, economic or other policies could have a material adverse effect on our business in China and our prospects generally.

In August 2005, China published regulations governing direct selling (effective December 1, 2005) and prohibiting pyramid promotional schemes (effective November 1, 2005), and a number of administrative methods and proclamations were issued in September 2005 and in September 2006. These regulations require us to use a business model different from that which we offer in other markets. To allow us to operate under these regulations, we have created and introduced a model specifically for China. In China, we have Company-operated retail stores that sell through employed sales management personnel to customers and preferred customers. We provide training and certification procedures for sales personnel in China. We also have non-employee sales representatives who sell through our retail stores. Our sales representatives are also permitted by the terms of our direct selling license to sell away from fixed retail locations in the provinces of Jiangsu, Guangdong, Shandong, Zhejiang, and Guizhou. In addition, our direct selling license for Beijing will permit us to sell away from fixed retail locations once we have established service outlets in that province. These features are not common to the business model we employ elsewhere in the world, and based on the direct selling licenses we have received and the terms of those which we hope to receive in the future to conduct a direct selling enterprise in China, our business model in China will continue in some part to incorporate such features. The direct selling regulations require us to apply for various approvals to conduct a direct selling enterprise in China. The process for obtaining the necessary licenses to conduct a direct selling business is protracted and cumbersome and involves multiple layers of Chinese governmental authorities and numerous governmental employees at each layer. While direct selling licenses are centrally issued, such licenses are generally valid only in the jurisdictions within which related approvals have been obtained. Such approvals are generally awarded on local and provincial bases, and the approval process requires involvement with multiple ministries at each level. Our participation and conduct during the approval process is guided not only by distinct Chinese practices and customs, but is also subject to applicable laws of China and the other jurisdictions in which we operate our business, including the U.S., and our internal code of ethics. There is always a risk that in attempting to comply with local customs and practices in China during the application process or otherwise, we will fail to comply with requirements applicable to us in China itself or in other jurisdictions, and any such failure to comply with applicable requirements could prevent us from obtaining the direct selling licenses or related local or provincial approvals. Furthermore, we rely on certain key personnel in China to assist us during the approval process, and the loss of any such key personnel could delay or hinder our ability to obtain licenses or related approvals. For all of the above reasons, there can be no assurance that we will obtain additional direct-selling licenses, or obtain related approvals to expand into any or all of the localities or provinces in China that are important to our business. Our inability to obtain, retain, or renew any or all of the licenses or related approvals that are required for us to operate in China would negatively impact our business.

Additionally, although certain regulations have been published with respect to obtaining such approvals, operating under such approvals and otherwise conducting business in China, others are pending, and there is uncertainty regarding the interpretation and enforcement of Chinese regulations. The regulatory environment in China is evolving, and officials in the Chinese government exercise broad discretion in deciding how to interpret and apply regulations. We cannot be certain that our business model will continue to be deemed by national or local Chinese regulatory authorities to be compliant with any such regulations. In the past, the Chinese government has rigorously monitored the direct selling market in China, and has taken serious action against companies that the government believed were engaging in activities they regarded to be in violation of applicable law, including shutting down their businesses and imposing substantial fines. As a result, there can be no guarantee that the Chinese government s current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us or our Chinese distributors.

Chinese regulations prevent persons who are not Chinese nationals from engaging in direct selling in China. We cannot guarantee that any of our distributors living outside of China or any of our independent sales representatives or employed sales management personnel in China have not engaged or will not engage in activities that violate our policies in this market, or that violate Chinese law or other applicable law, and therefore result in regulatory action and adverse publicity.

Recently, China enacted a labor contract law which is expected to become effective in 2008. We are reviewing the new law to determine what changes, if any, will be required in our employment contracts and contractual relations with our employees, which include certain of our salespersons. There is no guarantee that the new law will not adversely impact us, force us to change our treatment of our distributor employees, or cause us to change our operating plan for China.

If our operations in China are successful, we may experience rapid growth in China, and there can be no assurances that we will be able to successfully manage rapid expansion of manufacturing operations and a rapidly growing and dynamic sales force. There also can be no assurances that we will not experience difficulties in dealing with or taking employment related actions (such as hiring, terminations and salary administration, including social benefit payments) with respect to our employed sales representatives, particularly given the highly regulated nature of the employment relationship in China. If we are unable to effectively manage such growth and expansion of our retail stores, manufacturing operations or our employees, our government relations may be compromised and our operations in China may be harmed.

Our China business model, particularly with regard to sales management responsibilities and remuneration, differs from our traditional business model. There is a risk that such changes and transitions may not be understood by our distributors or employees, may be viewed negatively by our distributors or employees, or may not be correctly utilized by our distributors or employees. If that is the case, our business could be negatively impacted.

If we fail to further penetrate existing markets or successfully expand our business into new markets, then the growth in sales of our products, along with our operating results, could be negatively impacted.

The success of our business is to a large extent contingent on our ability to continue to grow by entering new markets and further penetrating existing markets. Our ability to further penetrate existing markets or to successfully expand our business into additional countries in Eastern Europe, Southeast Asia, South America or elsewhere, to the extent we believe that we have identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are out of our control.

In addition, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products, which could negatively impact our business, financial condition and results of operations. Also, our ability to increase market penetration in certain countries may be limited by the finite number of persons in a given country inclined to pursue a direct selling business opportunity or consumers willing to purchase Herbalife products. Moreover, our growth will depend upon improved training and other activities that enhance distributor retention in our markets. While we have recently experienced significant growth in certain of our markets, we cannot assure you that such growth levels will continue in the immediate or long term future. Furthermore, our efforts to support growth in such international markets could be hampered to the extent that our infrastructure in such markets is deficient when compared to our more developed markets, such as the U.S. Therefore, we cannot assure you that our general efforts to increase our market penetration and distributor retention in existing markets will be successful. If we are unable to continue to expand into new markets or further penetrate existing markets, our operating results would suffer.

Our contractual obligation to sell our products only through our Herbalife distributor network and to refrain from changing certain aspects of our marketing plan may limit our growth.

We are a party to an agreement with our distributors that provides assurances that a change in ownership will not negatively affect certain aspects of their business. Through this agreement, we committed to our distributors that we will not sell Herbalife products through any distribution channel other than our network of independent Herbalife distributors. Thus, we are contractually prohibited from expanding our business by selling Herbalife products through other distribution channels that may be available to our competitors, such as over the internet, through wholesale sales, by establishing retail stores or through mail order systems. Since this is an open-ended commitment, there can be no assurance that we will be able to take advantage of innovative new distribution channels that are developed in the future.

In addition, our agreement with our distributors provides that we will not change certain aspects of our marketing plan without the consent of a specified percentage of our distributors. For example, our agreement with our distributors provides that we may increase, but not decrease, the discount percentages available to our distributors for the purchase of products or the applicable royalty override percentages, including roll-ups, and production and other bonus percentages available to our distributors at various qualification levels within our distributor hierarchy. We may not modify the eligibility or qualification criteria for these discounts, royalty overrides and production and other bonuses unless we do so in a manner to make eligibility and/or qualification easier than under the applicable criteria in effect as of the date of the agreement. Our agreement with our distributors further provides that we may not vary the criteria for qualification for each distributor tier within our distributor hierarchy, unless we do so in such a way so as to make qualification easier.

Although we reserved the right to make these changes to our marketing plan without the consent of our distributors in the event that changes are required by applicable law or are necessary in our reasonable business judgment to account for specific local market or currency conditions to achieve a reasonable profit on operations, there can be no assurance that our agreement with our distributors will not restrict our ability to adapt our marketing plan to the evolving requirements of the markets in which we operate. As a result, our growth may be limited.

We depend on the integrity and reliability of our information technology infrastructure, and any related inadequacies may result in substantial interruptions to our business.

Our ability to timely provide products to our distributors and their customers, and services to our distributors, depends on the integrity of our information technology system, which we are in the process of upgrading, including the reliability of software and services supplied by our vendors. We are implementing an Oracle enterprise-wide technology solution, a scalable and stable open architecture platform, to enhance our and our distributors efficiency and productivity. In addition, we are upgrading our internet-based marketing and distributor services platform, *MyHerbalife.com.*

The most important aspect of our information technology infrastructure is the system through which we record and track distributor sales, volume points, royalty overrides, bonuses and other incentives. We have encountered, and may encounter in the future, errors in our software or our enterprise network, or inadequacies in the software and services supplied by our vendors, although to date none of these errors or inadequacies has had a meaningful adverse impact on our business. Any such errors or inadequacies that we may encounter in the future may result in substantial interruptions to our services and may damage our relationships with, or cause us to lose, our distributors if the errors or inadequacies impair our ability to track sales and pay royalty overrides, bonuses and other incentives, which would harm our financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and we may have little or no control over whether any inadequacies in software or services supplied to us by third parties are corrected, if at all.

Since we rely on independent third parties for the manufacture and supply of our products, if these third parties fail to reliably supply products to us at required levels of quality, then our financial condition and operating results would be harmed.

All of our products are manufactured by outside companies, except for a small amount of products manufactured in our own manufacturing facility in China. We cannot assure you that our outside manufacturers will continue to reliably supply products to us at the levels of quality, or the quantities, we require, especially under the FDA s recently adopted cGMP regulations.

Our supply contracts generally have a two-year term. Except for force majeure events such as natural disasters and other acts of God, and non-performance by Herbalife, our manufacturers generally cannot unilaterally terminate these contracts. These contracts can generally be extended by us at the end of the relevant time period and we have exercised this right in the past. Globally we have over 40 suppliers of our products. For our major products, we have both primary and secondary suppliers. Our major suppliers include Nature s Bounty for protein powders, Fine Foods (Italy) for protein powders and nutritional supplements, PharmaChem Labs for teas and *Niteworks*® and JB Labs for fiber. In the event any of our third-party manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. An extended interruption in the supply of products would result in the loss of sales. In addition, any actual or perceived degradation of product quality as a result of reliance on third party manufacturers may have an adverse effect on sales or result in increased product returns and buybacks. Also, as we experience ingredient and product price pressure in the areas of soy, dairy products, plastics, and transportation reflecting global economic trends, we believe that we have the ability to mitigate some of these cost increases through improved optimization of our supply chain coupled with select increases in the retail prices of our products.

If we fail to protect our trademarks and tradenames, then our ability to compete could be negatively affected, which would harm our financial condition and operating results.

The market for our products depends to a significant extent upon the goodwill associated with our trademark and tradenames. We own, or have licenses to use, the material trademark and trade name rights used in connection with the packaging, marketing and distribution of our products in the markets where those products are sold. Therefore, trademark and trade name protection is important to our business. Although most of our trademarks are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or trade name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The loss or infringement of our trademarks or tradenames could impair the goodwill associated with our brands and harm our reputation, which would harm our financial condition and operating results.

Unlike in most of the other markets in which we operate, limited protection of intellectual property is available under Chinese law. Accordingly, we face an increased risk in China that unauthorized parties may attempt to copy or otherwise obtain or use our trademarks, copyrights, product formulations or other intellectual property. Further, since Chinese commercial law is relatively undeveloped, we may have limited legal recourse in the event we encounter significant difficulties with intellectual property theft or infringement. As a result, we cannot assure you that we will be able to adequately protect our product formulations or other intellectual property.

We permit the limited use of our trademarks by our independent distributors to assist them in the marketing of our products. It is possible that doing so may increase the risk of unauthorized use or misuse of our trademarks in markets where their registration status differs from that asserted by our independent distributors, or they may be used in association with claims or products in a manner not permitted under applicable laws and regulations. Were this to occur it is possible that this could diminish the value of these marks or otherwise impair our further use of these marks.

If our distributors fail to comply with labeling laws, then our financial condition and operating results would be harmed.

Although the physical labeling of our products is not within the control of our independent distributors, our distributors must nevertheless advertise our products in compliance with the extensive regulations that exist in certain jurisdictions, such as the United States, which considers product advertising to be labeling for regulatory purposes.

Our products are sold principally as foods, dietary supplements and cosmetics and are subject to rigorous FDA and related legal regimens limiting the types of therapeutic claims that can be made for our products. The treatment or cure of disease, for example, is not a permitted claim for these products. While we train and attempt to monitor our distributors marketing materials, we cannot ensure that all such materials comply with applicable regulations, including bans on therapeutic claims. If our distributors fail to comply with these restrictions, then we and our distributors could be subjected to claims, financial penalties, mandatory product recalls or relabeling requirements, which could harm our financial condition and operating results. Although we expect that our responsibility for the actions of our independent distributors in such an instance would be dependent on a determination that we either controlled or condoned a noncompliant advertising practice, there can be no assurance that we could not be held vicariously responsible for the actions of our independent distributors.

If our intellectual property is not adequate to provide us with a competitive advantage or to prevent competitors from replicating our products, or if we infringe the intellectual property rights of others, then our financial condition and operating results would be harmed.

Our future success and ability to compete depend upon our ability to timely produce innovative products and product enhancements that motivate our distributors and customers, which we attempt to protect under a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions. However, our products are generally not patented domestically or abroad, and the legal protections afforded by common law and contractual proprietary rights in our products provide only limited protection and may be time-consuming and expensive to enforce and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our proprietary rights or from independently developing non-infringing products that are competitive with, equivalent to and/or superior to our products.

Monitoring infringement and/or misappropriation of intellectual property can be difficult and expensive, and we may not be able to detect any infringement or misappropriation of our proprietary rights. Even if we do detect infringement or misappropriation of our proprietary rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations. Further, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

Additionally, third parties may claim that products we have independently developed infringe upon their intellectual property rights. For example, in a recently settled lawsuit Unither Pharma, Inc. and others had alleged that sales by Herbalife International of (1) its *Niteworks®* and Prelox Blue products and (2) its former products Woman s Advantage with DHEA and Optimum Performance infringed on patents that are licensed to or owned by those parties. Although we do not believe that we are infringing on any third party intellectual property rights, there can be no assurance that one or more of our products will not be found to infringe upon other third party intellectual property rights in the future.

Since one of our products constitutes a significant portion of our retail sales, significant decreases in consumer demand for this product or our failure to produce a suitable replacement should we cease offering it would harm our financial condition and operating results.

Our Formula 1 meal replacement product constitutes a significant portion of our sales, accounting for approximately 27.0%, 28.4% and 30% of retail sales for the fiscal years ended December 31, 2005, 2006 and 2007, respectively. If consumer demand for this product decreases significantly or we cease offering this product without a suitable replacement, then our financial condition and operating results would be harmed.

If we lose the services of members of our senior management team, then our financial condition and operating results would be harmed.

We depend on the continued services of our Chairman and Chief Executive Officer, Michael O. Johnson, and our current senior management team as they work closely with the senior distributor leadership to create an environment of inspiration, motivation and entrepreneurial business success. Although we have entered into employment agreements with certain members of our senior management team, and do not believe that any of them are planning to leave or retire in the near term, we cannot assure you that our senior managers will remain with us. The loss or departure of any member of our senior management team could adversely impact our distributor relations and operating results. If any of these executives do not remain with us, our business could suffer. Also, the loss of key personnel, including our regional and country managers, could negatively impact our ability to implement our business strategy, and our continued success will also be dependent on our ability to retain existing, and attract additional, qualified personnel to meet our needs. We currently do not maintain key person life insurance with respect to our senior management team.

The covenants in our existing indebtedness limit our discretion with respect to certain business matters, which could limit our ability to pursue certain strategic objectives and in turn harm our financial condition and operating results.

Our credit facility contains numerous financial and operating covenants that restrict our and our subsidiaries ability to, among other things:

- pay dividends, redeem share capital or capital stock and make other restricted payments and investments;
- incur additional debt or issue preferred shares;
- impose dividend or other distribution restrictions on our subsidiaries;

create liens on our and our subsidiaries assets;

engage in transactions with affiliates;

guarantee other indebtedness; and

merge, consolidate or sell all or substantially all of our assets and the assets of our subsidiaries.

In addition, our credit facility requires us to meet certain financial ratios and financial conditions. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Failure to comply with these covenants could result in a default causing all amounts to become due and payable under our credit facility, which is secured by substantially all of our assets, which the lenders thereunder could proceed to foreclose against.

If we do not comply with transfer pricing, customs duties, and similar regulations, then we may be subjected to additional taxes, duties, interest and penalties in material amounts, which could harm our financial condition and operating results.

As a multinational corporation, in many countries including the United States we are subject to transfer pricing and other tax regulations designed to ensure that our intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned by our United States or local entities, and that we are taxed appropriately on such transactions. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products. We are currently subject to pending or proposed audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving transfer pricing issues, income taxes, customs duties, value added taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. In one such case we are currently appealing a tax assessment in Spain. In another matter, in Mexico, we are awaiting a formal administrative assessment to start the judicial appeals process. The likelihood and timing of any such potential assessment is unknown as of the date hereof. The Company believes that it has meritorious defenses. In some circumstances, additional taxes, interest and penalties have been assessed and we will be required to pay the assessments or post surety, in order to challenge the assessments. We have reserved in the consolidated financial statements an amount that we believe represents the most likely outcome of the resolution of these disputes, but if we are incorrect in our assessment we may have to pay the full amount asserted. Ultimate resolution of these matters may take several years, and the outcome is uncertain. If the United States Internal Revenue Service or the taxing authorities of any other jurisdiction were to successfully challenge our transfer pricing practices or our positions regarding the payment of income taxes, customs duties, value added taxes, withholding taxes, sales and use, and other taxes, we could become subject to higher taxes and our earnings would be adversely affected.

We may be held responsible for certain taxes or assessments relating to the activities of our distributors, which could harm our financial condition and operating results.

Our distributors are subject to taxation, and in some instances, legislation or governmental agencies impose an obligation on us to collect taxes, such as value added taxes, and to maintain appropriate records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security and similar taxes with respect to our distributors. In the event that local laws and regulations or the interpretation of local laws and regulations change to require us to treat our independent distributors as employees, or that our distributors are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for social security and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results.

We may incur material product liability claims, which could increase our costs and harm our financial condition and operating results.

Our products consist of herbs, vitamins and minerals and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain some ingredients that do not have long histories of human consumption. We conduct limited clinical studies on some key products but not all products. Previously unknown adverse reactions resulting from human consumption of these ingredients could occur. As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been, and may again be, subjected to various product liability claims, including that the products contain contaminants, the products include inadequate instructions as to their uses, or the products include inadequate warnings concerning side effects and interactions with other substances. It is possible that widespread product liability claims could increase our costs, and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, thereby requiring us to pay substantial monetary damages and adversely affecting our business. Finally, given the higher level of self-insured retentions that we have accepted under our current product liability insurance policies, which are as high as approximately $10 million, in certain cases we may be subject to the full amount of liability associated with any injuries, which could be substantial.

Several years ago, a number of states restricted the sale of dietary supplements containing botanical sources of ephedrine alkaloids and on February 6, 2004, the FDA banned the use of such ephedrine alkaloids. Until late 2002, we had sold *Thermojetics*® original green herbal tablets, *Thermojetics*® green herbal tablets and *Thermojetics*® gold herbal tablets, all of which contained ephedrine alkaloids. Accordingly, we run the risk of product liability claims related to the ingestion of ephedrine alkaloids contained in those products. Currently, we have been named as a defendant in product liability lawsuits seeking to link the ingestion of certain of the aforementioned products to subsequent alleged medical problems suffered by plaintiffs. Although we believe that we have meritorious defenses to the allegations contained in these lawsuits, and are vigorously defending these claims, there can be no assurance that we will prevail in our defense of any or all of these matters.

We are subject to, among other things, requirements regarding the effectiveness of internal control over financial reporting. In connection with these requirements, we conduct regular audits of our business and operations. Our failure to identify or correct deficiencies and areas of weakness in the course of these audits could adversely affect our financial condition and operating results.

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as new rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board and the New York Stock Exchange. In particular, we are required to include management and auditor reports on the effectiveness of internal controls over financial reporting as part of our annual reports on Form 10-K, pursuant to Section 404 of the Sarbanes-Oxley Act. We expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to correct any noted weaknesses in internal controls over financial reporting could result in the disclosure of material weaknesses which could have a material adverse effect upon the market value of our stock.

On a regular and on-going basis, we conduct audits through our internal audit department of various aspects of our business and operations. These internal audits are conducted to insure compliance with our policies and to strengthen our operations and related internal controls. The Audit Committee of our Board of Directors regularly reviews the results of these internal audits and, when appropriate, suggests remedial measures and actions to correct noted deficiencies or strengthen areas of weakness. There can be no assurance that these internal audits will uncover all material deficiencies or areas of weakness in our operations or internal controls. If left undetected and uncorrected, such deficiencies and weaknesses could have a material adverse effect on our financial condition and results of operations.

From time to time, the results of these internal audits may necessitate that we conduct further investigations into aspects of our business or operations. At the time of the filing of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, one such investigation was pending. This investigation concerned certain activities related to one of our foreign subsidiaries and related matters, and involved possible violations of applicable law. The then pending review of this investigation necessitated our filing of a request for extension on Form 12b-25 with the SEC. This investigation was completed in the fourth quarter of 2006, and the Audit Committee of our Board of Directors has adopted, and we have implemented, a remediation plan in response to the related findings. We believe the results of this investigation will not have a material adverse effect on our financial condition or results of operations. In addition, our business practices and operations may periodically be investigated by one or more of the many governmental authorities with jurisdiction over our worldwide operations. In the event that these investigations produce unfavorable results, we may be subjected to fines, penalties or loss of licenses or permits needed to operate in certain jurisdictions, any one of which could have a material adverse effect on our financial condition or operating results.

Holders of our common shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, and by the Companies Law (2007 Revision) and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, shareholders may have more difficulty in protecting their interests in the face of actions by our management or board of directors than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

Unlike many jurisdictions in the United States, Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for shareholders to assess the value of any consideration they may receive in a merger or consolidation or to require that the offer give shareholders additional consideration if they believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as Herbalife have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of our shareholders. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Maples and Calder, our Cayman Islands counsel, has informed us that they are not aware of any reported class action or derivative action having been brought in a Cayman Islands court.

Provisions of our articles of association and Cayman Islands corporate law may impede a takeover or make it more difficult for shareholders to change the direction or management of the Company, which could reduce shareholders opportunity to influence management of the Company.

Our articles of association permit our board of directors to issue preference shares from time to time, with such rights and preferences as they consider appropriate. Our board of directors could authorize the issuance of preference shares with terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction.

In addition, our articles of association contain certain other provisions which could have an effect of discouraging a takeover or other transaction or preventing or making it more difficult for shareholders to change the direction or management of our Company, including a classified board, the inability of shareholders to act by written consent, a limitation on the ability of shareholders to call special meetings of shareholders and advance notice provisions. As a result, our shareholders may have less input into the management of our Company than they might otherwise have if these provisions were not included in our articles of association.

Unlike many jurisdictions in the United States, Cayman Islands law does not provide for mergers as that term is understood under corporate law in the United States. However, Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as schemes of arrangement. The procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands company must be approved at a shareholders meeting by each class of shareholders, in each case, by a majority of the number of holders of each class of a company s shares that are present and voting (either in person or by proxy) at such a meeting, which holders must also represent 75% in value of such class issued that are present and voting (either in person or by proxy) at such meeting (excluding the shares owned by the parties to the scheme of arrangement).

The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise have a material adverse effect on the creditors interests. Furthermore, the Grand Court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme or arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

There is uncertainty as to shareholders ability to enforce certain foreign civil liabilities in the Cayman Islands.

We are incorporated as an exempted company with limited liability under the laws of the Cayman Islands. A material portion of our assets are located outside of the United States. As a result, it may be difficult for our shareholders to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

We have been advised by our Cayman Islands counsel, Maples and Calder, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters, and was not obtained in a manner, and is not of a kind, the enforcement of which is contrary to the public policy of the Cayman Islands. There is doubt, however, as to whether the Grand Court of the Cayman Islands will (1) recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, or (2) in original actions brought in the Cayman Islands, impose liabilities predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, on the grounds that such provisions are penal in nature.

The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

(a) None.

(b) None.

(c) On April 18, 2007, we announced that our board of directors authorized the repurchase of up to $300 million of our common shares during the next two years, at such times and prices as determined by management, as market conditions warrant. On August 23, 2007, our board of directors approved an increase of $150 million to this share repurchase program raising the total value of common shares authorized to be repurchased to $450 million. On May 20, 2008, we announced that our board of directors had approved an additional increase of $150 million to its previously authorized share repurchase program raising the total value of our common shares authorized to be repurchased to $600 million. Since the inception of the share repurchase program, we have repurchased approximately 11.3 million of our common shares at an aggregate cost of $460.0 million or an average cost of $40.82 per share.

The following is a summary of our repurchases of common shares during the three months ended June 30, 2008:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
April 1 April 30				$ 66,815,828
May 1 May 31	1,769,100	$ 43.23	1,769,100	$ 140,024,126
June 1 June 30				$ 140,024,126
Total	1,769,100	$ 43.23	1,769,100	$ 140,024,126

Item 3. ***DEFAULTS UPON SENIOR SECURITIES***

None.

Item 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS***

On May 1, 2008 we held our 2008 Annual General Meeting of Shareholders. There were 57,679,263 common shares present either in person or by proxy. At this meeting, the our shareholders voted to elect the two nominees for director; to approve an amendment to and restatement of the Company s 2005 Stock Incentive Plan to increase the authorized number of common shares issuable thereunder by 3,000,000; and to ratify the appointment of KPMG as the our independent registered public accountants for fiscal year 2008, each as more specifically set forth below.

Proposal	**For**	**Against**	**Abstain**	**Broker Non-Votes**
To elect two directors, each for a term of three years.				
Michael O. Johnson	52,442,595	4,906,444	330,224	
John Tartol	51,248,280	6,100,034	330,949	

To approve an amendment to and restatement of the Company s 2005 Stock Incentive Plan to increase the authorized number of Common Shares issuable thereunder by 3,000,000	17,727,021	33,012,585	15,657	6,924,000
To ratify the appointment of the Company s independent registered public accountants for fiscal year 2008	56,360,451	1,286,834	31,978	

The terms of Leroy T. Barnes, Jr., Richard P. Bermingham, Hal Gaba, Colombe M. Nicholas, Valeria Rico and Leon Waisbein as directors continued after the meeting.

Item 5. ***OTHER INFORMATION***

(a) None.

(b) None.

Item 6. ***EXHIBITS***

(a) Exhibit Index:

EXHIBIT INDEX

Exhibit Number	Description	Reference
2.1	Agreement and Plan of Merger, dated April 10, 2002, by and among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd. and WH Acquisition Corp.	(a)
3.1	Form of Amended and Restated Memorandum and Articles of Association of Herbalife Ltd.	(d)
4.1	Form of Share Certificate	(d)
10.1	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International Inc.	(a)
10.2	Office lease agreement between Herbalife International of America Inc. and State Teacher s Retirement System, dated July 11, 1995	(a)
10.3#	Herbalife International of America, Inc. s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.4#	Herbalife International of America, Inc. s Management Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.5	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996	(a)
10.6#	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended	(a)
10.7	Trust Agreement for Herbalife 2001 Executive Retention Plan, effective March 15, 2001	(a)
10.8#	Herbalife 2001 Executive Retention Plan, effective March 15, 2001	(a)
10.9	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor	(a)
10.10	Indemnity Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., WH Acquisition Corp., Whitney & Co., LLC, Whitney V, L.P., Whitney Strategic Partners V, L.P., GGC Administration, L.L.C., Golden Gate Private Equity, Inc., CCG Investments (BVI), L.P., CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG Associates-QP, LLC and WH Investments Ltd.	(a)
10.11#	Independent Director s Stock Option Plan of WH Holdings (Cayman Islands) Ltd.	(a)
10.12#	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003	(a)
10.13#	Non-Statutory Stock Option Agreement, dated as of April 3, 2003 between WH Holdings (Cayman Islands) Ltd. and Michael O. Johnson	(a)
10.14#	Side Letter Agreement dated as of April 3, 2003 by and among WH Holdings (Cayman Islands) Ltd., Michael O. Johnson and the Shareholders listed therein	(a)
10.15#	Form of Non-Statutory Stock Option Agreement (Non-Executive Agreement)	(a)
10.16#	Form of Non-Statutory Stock Option Agreement (Executive Agreement)	(a)
10.17	Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Gregory Probert	(a)
10.18	Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Brett R. Chapman	(a)
10.19	Stock Subscription Agreement of WH Capital Corporation, dated as of February 9, 2004, between WH Capital Corporation and WH Holdings (Cayman Islands) Ltd.	(a)
10.20	First Amendment to Amended and Restated WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, dated November 5, 2003	(a)

10.21	Registration Rights Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, L.P., CCG AV, LLC-Series C and CCG AV, LLC-Series E.	(b)

Exhibit Number	Description	Reference
10.22	Share Purchase Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney Strategic Partners V, L.P., WH Investments Ltd., Whitney V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C and CCG AV, LLC-Series E.	(b)
10.23	Form of Indemnification Agreement between Herbalife Ltd. and the directors and certain officers of Herbalife Ltd.	(c)
10.24#	Herbalife Ltd. 2004 Stock Incentive Plan, effective December 1, 2004	(c)
10.25	Termination Agreement, dated as of December 1, 2004, between Herbalife Ltd., Herbalife International, Inc. and Whitney & Co., LLC.	(d)
10.26	Termination Agreement, dated as of December 1, 2004, between Herbalife Ltd., Herbalife International Inc. and GGC Administration, L.L.C.	(d)
10.27	Indemnification Agreement, dated as of December 13, 2004, by and among Herbalife Ltd., Herbalife International, Inc., Whitney V, L.P., Whitney Strategic Partners V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG CI, LLC and GGC Administration, LLC.	(d)
10.28#	Amendment No. 1 to Herbalife Ltd. 2004 Stock Incentive Plan	(e)
10.29#	Form of Stock Bonus Award Agreement	(e)
10.30#	Employment Agreement Effective as of January 1, 2005 between Herbalife Ltd. and Henry Burdick	(f)
10.31#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Stock Option Agreement	(g)
10.32#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Non-Employee Director Stock Option Agreement	(g)
10.33	Service Agreement by and between Herbalife Europe Limited and Wynne Roberts ESQ, dated as of September 6, 2005	(h)
10.34#	Independent Directors Deferred Compensation and Stock Unit Plan	(i)
10.35#	Independent Directors Stock Unit Award Agreement	(i)
10.36#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(j)
10.37#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(j)
10.38#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Mr. Michael O. Johnson	(k)
10.39#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Mr. Michael O. Johnson	(k)
10.40#	Amendment to Herbalife Ltd. Independent Directors Deferred Compensation and Stock Unit Plan	(l)
10.41#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Gregory Probert, Brett R. Chapman and Richard Goudis	(m)
10.42#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Gregory Probert, Brett R. Chapman and Richard Goudis	(m)
10.43#	Employment agreement dated December 18, 2007 between Herbalife International of America, Inc. and Paul Noack	(n)
10.44#	Summary of Board Committee Compensation	(o)
10.45		(p)

Form of Credit Agreement, dated as of July 21, 2006, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent

Exhibit Number	Description	Reference
10.46	Form of Security Agreement, dated as of July 21, 2006, by and among Herbalife International, Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent	(p)
10.47#	Amended and Restated Independent Directors Deferred Compensation and Stock Unit Plan	(p)
10.48#	Employment Agreement by and between Herbalife Ltd. and Gregory L. Probert dated October 10, 2006	(q)
10.49#	Employment Agreement by and between Herbalife Ltd. and Brett R. Chapman dated October 10, 2006	(q)
10.50#	Stock Unit Agreement by and between Herbalife Ltd. and Brett R. Chapman dated October 10, 2006	(q)
10.51#	Amendment dated October 10, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Brett R. Chapman dated September 1, 2004	(q)
10.52#	Amendment dated October 10, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Brett R. Chapman dated December 1, 2004	(q)
10.53#	Amendment dated October 10, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Brett R. Chapman dated April 27, 2005	(q)
10.54#	Employment Agreement by and between Herbalife Ltd. and Richard P. Goudis dated October 24, 2006	(r)
10.55#	Stock Unit Agreement by and between Herbalife Ltd. and Richard P. Goudis dated October 24, 2006	(r)
10.56#	Amendment dated October 24, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Richard P. Goudis dated June 14, 2004	(r)
10.57#	Amendment dated October 24, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Richard P. Goudis dated September 1, 2004	(r)
10.58#	Amendment dated October 24, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Richard P. Goudis dated December 1, 2004	(r)
10.59#	Amendment dated October 24, 2006, to Stock Option Agreement by and between Herbalife Ltd. and Richard P. Goudis dated April 27, 2005	(r)
10.60#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Michael O. Johnson	(s)
10.61#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Michael O. Johnson	(s)
10.62#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Gregory L. Probert, Richard P. Goudis and Brett R. Chapman	(s)
10.63#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Gregory L. Probert, Richard P. Goudis and Brett R. Chapman	(s)
10.64#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(s)
10.65#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(s)
10.66		(t)

First Amendment dated June 21, 2007, to Form of Credit Agreement, dated as of July 21, 2006, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent

Exhibit Number	Description	Reference
10.67	Second Amendment dated September 17, 2007, to Form of Credit Agreement, dated as of July 21, 2006, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent	(t)
10.68	Third Amendment dated November 30, 2007, to Form of Credit Agreement, dated as of July 21, 2006, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent	(u)
10.69	Herbalife Ltd. Employee Stock Purchase Plan	(u)
10.70	Fourth Amendment dated February 21, 2008, to Form of Credit Agreement, dated as of July 21, 2006, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R.L., Herbalife International Luxembourg S.á.R.L., HLF Luxembourg Holdings, S.á.R.L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., HV Holdings Ltd., Herbalife Distribution Ltd., Herbalife Luxembourg Distribution S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Merrill Lynch Capital Corporation, as Collateral Agent	(u)
10.71#	Employment Agreement dated as of April 1, 2008 between Michael O. Johnson and Herbalife International of America, Inc.	(v)
10.72#	Stock Unit Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(v)
10.73#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(v)
10.74#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(v)
10.75#	Amendment No. 1 to Employment Agreement dated as of April 4, 2008 between Gregory L. Probert and Herbalife International of America, Inc.	(w)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	*
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	*
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	*

* Filed herewith.

\# Management contract or compensatory plan or arrangement.

(a) Previously filed on October 1, 2004 as an Exhibit to the Company s registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(b) Previously filed on November 9, 2004 as an Exhibit to Amendment No. 2 to the Company s registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(c) Previously filed on December 2, 2004 as an Exhibit to Amendment No. 4 to the Company s registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(d) Previously filed on December 14, 2004 as an Exhibit to Amendment No. 5 to the Company s registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(e) Previously filed on February 17, 2005 as an Exhibit to the Company s registration statement on Form S-8 (File No. 333-122871) and is incorporated herein by reference.

(f) Previously filed on May 13, 2005 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(g) Previously filed on June 14, 2005 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(h) Previously filed on September 23, 2005 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(i) Previously filed on February 28, 2006 as an Exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2005 and is incorporated herein by reference.

(j) Previously filed on March 29, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(k) Previously filed on March 29, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(l) Previously filed on March 30, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(m) Previously filed on March 31, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(n) Previously filed on December 20, 2007 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(o) Previously filed on May 5, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(p) Previously filed on November 13, 2006 as an Exhibit to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and is incorporated by reference.

(q) Previously filed on October 12, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(r) Previously filed on October 26, 2006 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(s) Previously filed on May 29, 2007 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(t) Previously filed on November 6, 2007 as an Exhibit to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and is incorporated by reference.

(u) Previously filed on February 26, 2008 as an Exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2007 and is incorporated herein by reference.

(v) Previously filed on April 7, 2008 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

(w) Previously filed on April 9, 2008 as an Exhibit to the Company s Current Report on Form 8-K and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HERBALIFE LTD.

By: /s/ Richard Goudis

Richard Goudis
Chief Financial Officer

Dated: August 5, 2008