

**HERBALIFE INTERNATIONAL OF AMERICA, INC.**

**Moderator: Amy Greene  
July 29, 2014  
8:00 a.m. PT**

Operator: Good morning and thank you for joining the second quarter 2014 earnings conference call for Herbalife Ltd. On the call today is Michael Johnson, the company's Chairman and CEO; the company's President, Des Walsh; John DeSimone, the company's CFO; and Amy Greene, the company Senior Vice President, government corporate and investor relations.

I would now like to turn the call over to Amy Greene to read the company's Safe Harbor language.

Amy Greene: Good morning. Before we begin as a reminder during this conference call comments may be made that include some forward-looking statements.

These statements involve risks and uncertainties, and as you know actual results may differ materially from those discussed or anticipated. We encourage you to refer to yesterday's earnings release and our SEC filings for a complete discussion of risks associated with these forward-looking statements and our business.

In addition, during this call certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements.

Prepared in accordance with U.S. generally accepted accounting principles, referred to by the Securities and Exchange Commission as non-GAAP financial measures.

We believe these non-GAAP financial measures assist management and investors in evaluating and preparing period to period results of operations and a more meaningful and consistent manner.

Please refer to the investor relations section of our Web site, Herbalife.com, to find our press release for this quarter which contains a reconciliation of these measures. Additionally, when management makes reference to volume during this conference call they are referring to volume points.

I will now turn the call over to Michael.

Michael Johnson: Thank you Amy. Good morning and welcome to our second-quarter 2014 earnings call.

We have just concluded the highest overall sales quarter in Herbalife's history. Our results announced yesterday demonstrate the fundamental strength of our mission to provide high-quality nutrition products to a networks of engaged members in a community-based approach of health and wellness benefitting people around the world. This is been a cornerstone of our success since 1980, and we're just getting started.

Let's review some of the highlights from the second quarter. Net sales of \$1.3 billion increased 7 percent in the quarter and volume growth of 5 percent compared to the prior year period.

Our adjusted second-quarter EPS of \$1.55 increased 10 percent compared to the prior year. Underlying the sales growth was an 9 percent increase in average active sales leaders and a 5 percent increase in new members.

We generated \$156.9 million in cash flow from operations and invested nearly \$40 million in capital expenditures to support the growth in our business and expand ours C2B program, the highlight of which is our Herbalife innovation and manufacturing facility in Winston Salem, North Carolina, where we've already hired approximately 290 employees. And we plan to higher more than 200 more people at this facility as it ramps up production.

Also last week our board of directors approved the new manufacturing facility Nanjing, China. This new facility will support the growth in the greater China region.

We've raised our adjusted 2014 EPS guidance to a range of \$6.17 to \$6.32 reflecting our expectation of continued strong sales growth and profitability throughout the remainder of 2014. We repurchased more than \$580 million or 9.8 million shares during the quarter under our share repurchase program to further our goal to accelerate returns to shareholders.

We've had 19 straight quarters of record top and bottom line performance and, we believe the opportunity for Herbalife has never been greater than it is today.

Let me discuss 4 of the core reasons we believe our future is so bright. One, our products address real consumer needs. Over 60 percent of our product sales are in weight management, and they are designed to provide solutions to help mitigate and curve the obesity epidemic and the adverse impact it has on rising healthcare costs.

Two, the community based approach by our direct selling model is effective in supporting sustainable behavioral change for weight management and promoting a healthy active lifestyle.

Three, our continued record performance in the face of an unprecedented \$50 million short seller campaign speaks to the effectiveness and the resilience of our model.

And four, our financial strength and capital structure enables us to continue to create value for our shareholders.

Let me dig deeper into each one of these 4 points.

First, the Harvard School Of Public Health estimates that the worldwide rate of obesity is nearly doubled since 1980, with over 200 million adult men and just under 300 million adult woman being obese.

When you look at the rate in children, it's even more worrisome. In 2010, 43 million preschool children were overweight or obese and that is a 60 percent increase since 1990. In the United States obesity is second only to tobacco in the number of that's it causes each year for adults under the age of 70.

The World Health Organization has recently cited that the number of obese people in the world's doubled since 1980. The WHO in 2012 acknowledged that while obesity was historically identified as an issue for high-income countries, overweight obesity are now on the rise in low and middle-income countries, particularly in urban neighborhoods.

The scientific substantiation of our meal replacement products is supported by scientists around the world and in fact in 2010 the European food safety Authority approved meal replacements for use in weight loss and weight management based on 47 scientific studies.

Cornell University study estimates that obesity now accounts for almost 21 percent of the U.S. healthcare costs. Additionally, a team of Stanford University school of medicine researchers just published a study that cited the high correlation between in activity or lack of exercise rather than simply higher caloric intake as a driver in a dramatic increase in obesity.

The research pointed to the percentage of women who reported no physical activity having increase from 19 percent to 52 percent between 1988 and 2010. And the percentage of inactive men rose from 11 percent to 43 percent over the same period. Not surprisingly, obesity also increased from 25 percent to 35 percent in women and from 20 percent to 35 percent in men.

However, the number of calories has not change materially. Given these facts, it's not surprising that sales methods used by our members around the world have expanded to incorporate fitness and support activities and training and club offerings to complement the use of our weight management products in communities around the world.

To expand on my second point, the strength of community-based approaches often by our direct sales model is more effective in creating sustainable

behavior changes from weight management and promoting a healthy active lifestyle.

Reality is that people are more likely to lose weight in a group setting or environment been going at it alone.

This has been research and cited by many sources including the researchers at the University of Pennsylvania who recruited 166 people to participate in a weight loss program either alone or with three friends or family members among those who embarked among the program with friends, 95 percent completed the program compared to only 76 percent of those who dieted solo.

Ten months, 66 percent dieters maintained their mate loss compared to only 24 percent of those who were on their own. This example supports a simple message that virtually any aspect of an individual's life from behavioral changes and desires can benefit by improving the social network support group.

It's no wonder that the global rollout of nutrition the camps one-to-one support and even weight loss challenges invested by our members provide very effective sales methods to increase the likelihood that consumers can achieve the weight loss goals while combing low-calorie meal replacement in a group study.

My third point is our record performance continued in the second quarter in the face of a faceless campaign with comps over last year's results. Last year was the largest volume quarter in U.S. history and despite this we saw the highest sales in the company history and the third highest in terms of volume in the history of the company during this past quarter.

Second-quarter sales leader activity was at an all-time high at 77 percent of the U.S. compared to 69 percent last year. Also during the quarter, 44 percent of new sales leaders that qualified to itself through the more gradual 5K method compared to 38 percent last year. This is a great leading indicator for improving retention rates as well.

Our year-to-date buyback rates in the U.S. are the lowest in history going back as far as our records are available. And our general market extravaganza in early July attendance is up 24 percent over last year's event.

We are pleased with the progress we see around the world, the focus our members bring to the expansion of their own independent businesses, as they spread the mission of a healthy active lifestyle across the globe has never been stronger.

We're continuing to see double-digit growth in both EMEA and China. Our new sales methods are making engagement and a fitness regime possible for more and more customers. We just finished a six city tour in China focused on integrating more elements of our healthy active lifestyle program into nutrition clubs there.

The fourth point our continued financial strength and capital structure offer attractive opportunities to create continued value for you, our shareholders. We have had 19 successive quarters of record top and bottom line performance.

Our net debt excluding cash in Venezuela is approximately \$1.2 billion. Our company is conservatively levered. As most investors are aware, Herbalife has generated significant amount of free cash flow and is used the majority of that to repurchase shares.

We expect to continue our buyback program which John will discuss a more detail in just a few minutes. Beyond the ongoing success of our financial results are a reflection of what we've always known to be true – the deep and intrinsic value of Herbalife's products and business opportunity bring to our customers, members, and communities around the world, and it is creating a growing business and a strong free cash flow.

As a company we pride ourselves on the fact that we provide our members and customers with great, high-quality products that meet real consumer needs. Based on research nearly 3/4 of our members joined primarily to use our products for their own consumption which is a testament to its quality and effectiveness.

Herbalife has great products, along with the culture and the distribution network that is helping improve public health globally. We are proud that people choose Herbalife to connect with a community of like-minded people to achieve their goals and becoming healthier living a more active lifestyle.

Whether it is simply working with one of our members or attending a nutrition club, weight loss challenge, or fit camp Herbalife members provide a support network person to person to bring people together who have similar health and fitness goals.

Our nutrition clubs, along with other interactive social based sales methods, provide the support of a structured environment and are important way we advance our mission to bring good nutrition activity and economic opportunities to communities around the world.

Additionally, nutrition clubs provide a fantastic and effective setting for our members and consumers to connect face-to-face and support each other on the road to a healthier, more active lifestyle.

We're proud that these nutrition clubs are internal components of many neighborhoods where too often there are a few options for active social support information and nutritious choices for food.

Additionally, the nutrition clubs that originated in Mexico created by member over 10 years ago continue to evolve. Over the past several years numerous studies have been published creating consumer awareness that in order to lose weight you need to burn more calories than you consume.

This awareness has treated new consumer demands for activities and satisfying this demand has been a key driver behind our increased focus for our members and customers having a healthy active lifestyle.

This is a primary reason for the success of fit camps and is now giving rise to new sales methods that incorporate exercise into activity. We remain successful because we are a company that provides an invaluable and unique

opportunity for those members who choose to pursue an opportunity for supplemental or full-time income.

The spirit of growth, entrepreneurship and value creation that defines Herbalife is exemplified by the individual efforts of our members and sales leaders. As the impact our members have on their own communities grow so does their enthusiasm for Herbalife.

As I mentioned earlier we differentiate ourselves in community-based approach to help people lead healthier more active lives. This organic growth approach family by family, neighborhood by neighborhood, and city by city is the essence of Herbalife. And one that will provide a growth catalyst for years to come.

Our confidence in the success of our products and sales methods is a catalyst for member engagement and activity and our strong financial performance.

As you know our company is the subject of an FTC inquiry. We are confident that there will be a successful conclusion that will keep Herbalife on the path to success for years to come. Two particular updates reinforce the confidence.

First, we recently retained independent a former FTC economist to assess our business. The conclusions released publicly were clear and definitive. It confirmed what we are the new Herbalife is a legitimate social and beneficial business model. The research was conducted by Doctor Walter Van Dale, a respected economist and former economic adviser to the director (Buru of Competition) and Assistant Director to the Regulatory Evaluation Buru of Consumer Protection at the FTC.

Doctor Van Dale has completed an extensive and thorough analysis of Herbalife. Doctor Van Dale founded approximately 97 percent of the Herbalife's U.S. products are purchased by consumers for end-use consumption. In addition he found that the vast majority of Herbalife's products are 80 percent are consumed by members who joined Herbalife to receive product discounts for themselves and their families or is consumed by individuals outside of our members.

Doctor Van Dale's conclusion confirms what we've already known – that there's real demand by real people for our products.

And second the recent landmark court case regarding a multi-level marketing further confirms what we've known all along – that our business model is lawful and beneficial.

The recent decision from the FTC versus launch by the U.S. Court of Appeals for the Ninth Circuit validated that consumption of products by participants can be a legitimate measure of sales for multi-level marketing companies, provided that the sales are motivated by genuine demand as is the case for Herbalife. Once again the undeniable facts are on our side and the truth will continue to prevail.

Two weeks ago nearly 13,000 people came together in Chicago to celebrate the value Herbalife brings to their lives. Over three days of training, education, and recognition attendees shared at a company's mission vision and value as well as the integrity behind our products. Any way you cut it our performance and strong support for our company has been continues to be solid and strong.

As a reflection of our confidence in the strength of our business in the future position of our company we recently completed the successful repurchase of \$581 million in our common shares during the second quarter.

Since 2007 we've returned approximately \$3.1 billion to our shareholders in total share repurchases and we will continue to strive to use our capital effectively to create value for all our stakeholders.

We're incredibly proud of the hard work of our 7600 employees that support almost 4 million dedicated members, and our outstanding products and services that positively impact the lives and health of millions of consumers.

We are inspired each and every day why the passion of our members and employees in their tireless efforts to build it right. Now let's turn it over to Des for a more detailed update on performance in our key regions.

Des Walsh: Thank you, Michael.

By all measures we have demonstrated solid performance in the second quarter of 2014. Four of our six regions posted volume point growth and local net sales growth, while average active sales EBIT was volume points increased in every region over last year's second quarter.

This exceptional growth exemplifies a resilience and dedication of our sales leaders to provide their customers with the advice, support, and nutrition products they need to achieve their health and wellness goals.

At Herbalife there is one constant – change, or perhaps more aptly put, aggression. Our members and those of us who support them are always looking at ways to advance business methods, or DMOs that help extend Herbalife's ability to reach more consumers in our 90-plus markets.

The entrepreneurial nature of our members is a driving force in the creation and implementation of ways to adapt business methods to service the needs of customers in different communities around the world.

For several years we have been talking about the benefits and expanded utilization of data consumption business methods as well as how they have been acculturated throughout our markets.

One adaptation that we're very excited about is the inclusion of various active lifestyle components into daily consumption DMOs, such as fit camp, 5K runs, or even something as simple as neighborhood walks.

Our members understand and are increasingly coaching their customers that when the usage of Herbalife products is coupled with exercise the results is a truly healthy active lifestyle.

Now let me provide some regional highlights and color our key regions.

Although the North American region, and specifically the U.S. market, came in below expectation in terms of volume points, partially due to the very

difficult comparison from the prior-year period, the region and the U.S. achieve their highest net sales results in their history.

And, as is evident in multiple indicators, the fundamentals of the U.S. remains strong. Average active sales leaders increased 5 percent. New members during the quarter up 76,000, which is the fourth highest in history, although a 4 percent decline compared to the same quarter of last year. 47 percent of this year's new sales leaders qualified for the 5K method, compared to 38 percent last year. And just two weeks ago we saw almost 13,000 members at the extravaganza in Chicago, a 24 percent increase over the prior year.

While we are extremely proud of our business in the U.S. we believe the opportunity for continued growth has never been better. We expect to see the region exit Q3 strongly and the business to accelerate again in Q4. In recent years U.S. sales leaders introduced interactive fitness or exercise elements into the model in order to attract and retain new members.

Sales leaders from different countries have been visiting members in the U.S. to learn more about how they are successfully integrating for into the business. An interesting element of the expansion of fit camps in the U.S. is that it has driven significant growth in younger members focused more on healthy active lifestyles.

As Michael mentioned, the social network enabled by our business model, coupled with our members education and coaching customers about living a healthy active lifestyle, has the ability to impact millions of people.

At Herbalife meetings are designed to be both motivational and educational.

Our meeting calendars are designed to reach various members wherever they may be in their Herbalife tenure.

Some events, like Herbalife opportunity meetings, are designed to introduce people new to Herbalife to our products and the basics of our business model.

For those members who choose to build a business, we have training meetings to focus on increasing their knowledge on how to retail the products and grow their business.

Our larger, regional events, “extravaganzas,” are open to all members and just two weeks ago we saw almost 30,000 members at the extravaganza in Chicago as I said before a 24 percent increase over the prior year.

We were honored to have Doctor Richard Carmona, one of our board members and also the 17th Surgeon General of the United States, to speak to those in attendance about the positive impact of Herbalife members in nutrition clubs in driving sustainable behavioral change through access to good nutrition coupled with the message of a healthy active lifestyle.

Events are an important opportunity to share with our members information about business improvements, such as the gold standard and the new practical claims guide. And in the Expo area of the extravaganza we have stations dedicated to different educational elements of our business, including new products, technologies available to increase member efficiency, as well as a large area dedicated to training and educating members on our rules and appropriate business practices.

Now let's turn to Mexico, where local currency net sales for the quarter increased 7 percent and volume points increased 5 percent, each as compared to the prior-year period Mac.

For the second quarter average sales with volume increased 3 percent compared to the prior year. As we have discussed in the past Mexico's business fundamentals have continued to strengthen, as members have been transitioning their daily consumption business practices to commercials.

To support the growth we have been working to continue the expansion in the number of products access point and recently we added another group of stores where Herbalife members can pickup their orders, bringing our total of pickup points in Mexico to over 850. By making access geographically closer to members we have seen the average order size in Mexico decrease 60 percent, while the number of orders has increased more than 250 percent since

2009. The ability to have closer to real-time ordering has proven to be very beneficial in Mexico and will continue to be a focus of management both in Mexico and around the world.

Let's move on now to China, where local currency net sales increased 46 percent and volume points grew 38 percent in the second quarter each as compared to the prior-year period.

Average active sales leaders increased 33 percent over the same period last year. The progressive adoption and acculturation of daily consumption business methods, as well as implementation of the first-order thresholds and 5K sales leader qualifications, have been meaningful drivers of the sustainable growth in this market.

Recently, China's members have increased their focus on integrating exercise our healthy active lifestyle components into their clubs.

Since the beginning of 2014 we hosted over 57,000 people at 775 healthy active lifestyle events in 64 cities throughout the market and to help support the adoption of this business method we just completed a six city tour, where we saw over 17,500 members and hosted three 5K races.

As we have always stated, the move related to the direct selling industry are unique in China. We continue to be transparent with our operations and remain comfortable with our structure and business model in the market.

Next, the Asia-Pacific region, which after success of declines of 4 percent and 6 percent in prior quarters returned to growth in the second quarter with local currency net sales increasing 3 percent and volume points increasing 1 percent each as compared to the prior-year period.

Throughout the region we continue to focus on driving sales leader retention and are pleased to see average active sales leaders with volume increased 6 percent compared to the prior year.

Also, new members grew 5 percent over the same quarter last year.

We have now implemented first order limits in six of the 15 Asia-Pacific countries and after experiencing a momentary slowdown, we have seen the country – particularly India – return to a stronger base of members who came into the business more gradually.

Korea, a market that accounts for approximately one-third of Asia-Pacific's volumes experience at 3.5 percent decline in local currency net sales for the quarter as compared to the prior-year period.

Leadership continues to engage and educate new members and customers as well as guide the market to a healthy transition to daily consumption DMO practices.

We believe increased focus on sales leader activity and retention, together with education and the benefits of daily consumption will result in further improvements to net sales and volume point growth.

In India, local currency net sales increased 33 percent and average active sales leaders with volume increased 16 percent over the same quarter of prior year.

Sales leader activity continue to grow to improved product access and the ongoing successful localization of nutrition (cloud).

Furthermore the at threshold that was introduced in March and the subsequent will be extended from a 10 day period to a 30 day period has been readily accepted by the country's leadership and is having a positive impact on the foundation of the business. We will continue to implement first-order thresholds in several other Asia-Pacific countries over the course of 2014.

Turning now to the South and Central American region's local currency net sales in the second quarter increased 8 percent and volume points in the region were down 7 percent each as compared to the prior year quarter.

Active sales leaders with volume points in the region increased 14 percent and new members increased 13 percent over last year's second quarter.

Venezuela was the biggest driver of the decrease with volume points down 40 percent and average active sales leaders down 11 percent, each as compared to the second quarter of the previous year.

As we noted last quarter, the strict currency restrictions in Venezuela continue to make currency (retention) very difficult and impacted product supply in the market.

Herbalife Venezuela has begun to develop relationships with local manufacturers and in doing so we will be able to better serve local members.

We believe that this process will fortify the country's long-term strategy of protecting profit and sustainability as well as promoting market self-sufficiency.

Excluding the impact in Venezuela the region's volume would have increased by 1 percent. In Brazil local currency net sales decreased approximately 1 percent volume points decreased 8 percent and average active sales leaders grew 11 percent in the second quarter each as compared to the same period last year.

We believe that the softness in the quarter was due in part to an economic slowdown as a result of the Brazil hosting the World Cup and the impact that has a Nutrition Club attendance coupled with the fact that Brazil that only one extravaganza this year compared to three last year which can have a short-term impact on member engagement.

Moving on to EMEA, local currency net sales increased 21 percent and volume points grew 22 percent each as compared to the second quarter of 2013. Average sale leaders with volume points in the region was up 18 percent and new members improved 28 percent over the prior-year period.

Members in this region continue to develop and utilize versions of the business methods previously mentioned, such as fit clubs, weight loss challenges, and nutrition clubs.

We're encouraged by the consistent execution and successful localization of daily consumption business metrics exhibited in both Western and Eastern Europe throughout the quarter.

In Russia local currency net sales grew 43 percent and average active sales leaders increased 24 percent each over the second quarter of 2013. We believe that city by city initiatives, ongoing adoption of the commercial nutrition club, and strong branding efforts by the company members, including our sponsorship of (FC Sparta Moscow) continue to have a positive impact on the market recognition and consumer confidence.

New members increased 64 percent over the second quarter in 2013. Again in the second quarter the U.K. market consistently executed its TDMO strategies and the result continue to experience meaningful growth.

Local currency net sales and volume points in the U.K. increased 21 percent, each as compared to the second quarter of 2013. The success of the Weight Loss Challenge DMO over the past couple of years has led members to begin to implement fitness elements into the business, resulting in a DMO cost level X where members 90 day fitness challenges.

In a recent fitness challenge in the U.K. we had over 2200 participants and three regional challenges. Over the last few quarters nearby markets have observed the U.K.'s growth and have strategized to adopt similar business practices.

Market such as Germany, France, and Spain have found success in localizing and implementing their daily consumption business metrics and consequently experienced 12 percent 15 percent and 35 percent volume point growth in Q2 respectively over the prior year.

In closing let me thank all our members and sales leaders for another great quarter. We are inspired by their passion, dedication, and entrepreneurial spirit. Our collaboration improves public health around the world.

By providing support education and access to affordable excellent nutrition our members empower consumers on a daily basis to truly achieve a healthy active lifestyle.

John DeSimone: Thank you Des. First I'll review the company's second quarter 2014 reported and adjusted results. Then I'll provide updated information on third quarter and full-year 2014 guidance.

Adjusted EPS for the quarter of \$1.55 was at the high-end of our guidance of \$0.14 or 10 percent higher than the adjusted second quarter results of last year.

The comparison to last year was negatively impacted I \$0.28 from the combined impact of foreign currency and the higher effective tax rate with \$0.28 is comprised of negative \$0.17 impact to currency and a negative \$0.11 tax rate.

On a reported basis EPS of \$1.31 includes the following four items that we consider to be outside the normal operations of the company, or we believe to be useful to investors when analyzing period to period comparisons of our results.

First, \$0.11 impact from \$10.1 million of non-cash interest costs associated with the outstanding convertible bond offerings.

Second, \$0.06 and \$0.03 respectively for expenses incurred in response to attacks on the Company's business model and expenses incurred related to the FTC inquiry. And lastly our adjusted results exclude a \$0.03 impact in taxes related to the first quarter of Venezuelan devaluation.

As noted during last quarter's conference call while the devaluation occurred in the first quarter the tax impact was spread throughout the year.

For the second quarter, the company reported net sales of \$1.3 billion, representing an increase of 7.1 percent compared to the second quarter 2013. Local currency net sales for the period increased 10.8 percent with an

unfavorable FX impact of 3.7 percent as compared to the same period last year.

Since Des has already provided significant regional detail around our volume point in net sales results I'll now turn to margins.

Our gross profit margins for the second quarter improved approximately 60 basis points versus the second quarter of 2013. Primarily the result of price increases, favorable impact of country mix, and lower inventory write-downs, partially offset by the unfavorable impact of foreign currency fluctuations and other costs.

On a sequential basis gross profit margins improved by approximately 20 basis points, primarily the result of lower inventory write-downs, partially offset by unfavorable impact of foreign currency.

Operating margins declined on reported and adjusted basis by approximately 80 and 60 basis points respectively, but both were negatively impacted from currency fluctuations by approximately 105 basis points.

If not for the impact of currency adjusted operating margins would've increased by approximately 45 basis points.

SG&A, excluding non-GAAP items previously noted and China service (provide costs) increased approximately 60 basis points as a percentage of sales compared with the second quarter of a year ago primarily due to unfavorable impact of foreign currency fluctuations.

Interest cost increased by \$15.8 million versus the second quarter of last year due to the convertible bond deal executed earlier this year; \$10.1 million of the \$15.8 million is non-cash.

Moving on to our effective tax rate the second quarter adjusted effective tax rate was approximately 485 basis points higher than our effective tax rate for Q2 2013, but in line with the expectations provided in our previous guidance.

The increase versus prior year was due to the inability to further realize a tax benefit related to the increase cash interest expense also the impact of changes in geography mix of the company's income and a decrease in net benefits from discrete events, principally related to a favorable tax audit settlement in the comparable 2013 period.

As previously noted second quarter adjusted earnings per share of \$1.55 was \$0.14 or 10 percent higher than our earnings per share for the same period of 2013. Comparing second quarter adjusted EPS to the previous guidance provided in April adjusted EPS of \$1.55 is equal to the high-end of our guidance range.

EPS guidance was negatively impacted by sales that were slightly below our estimates but this impact was offset due to lower than expected expenses.

Before moving on to the new guidance for the third quarter and full year 2014 provided in yesterday's release I want to note a couple items.

With respect to Venezuela our guidance assumes a GAAP rate of 10.6 Boulevard to 1 dollar for the balance of the year and excludes the potential impacts of any future devaluation of the Venezuelan Bolivar or any future repatriation of cash balances in the country.

Our guidance also excludes any ongoing expenses incurred responding to attacks on the company's business model and the FTC inquiry as well as the impact of non-cash interest costs associated with the company's convertible notes.

For all currency assumptions we have used the average closing exchange rates during the first two weeks of July with the exception of Venezuela and this is consistent with our historical practice.

I would now like to turn to our third quarter and full year 2014 guidance expectations. From a volume point perspective we expect volume growth of 5.5 percent to 7.5 percent in the third quarter.

We are initiating or adjusting EPS guidance for the third quarter to be in the range of \$1.49 to \$1.53 per share representing an improvement over 2013 adjusted EPS of between 5.7 percent and 8.5 percent.

This guidance range includes an unfavorable currency impact of approximately \$0.08 per share.

Our EPS estimate for the third quarter 2014 includes approximately \$10 million of event expenses that occurred in Q4 last year which is only timing as the negative impact to Q3 will equally benefit Q4 this year.

For full-year we are raising our adjusted EPS guidance by \$0.07 and \$0.02 per share on the high-end, despite lowering the full year 2014 volume growth expectations by 200 basis points compared to previous guidance.

Full year volume points are expected to grow between 6 percent and 8 percent for the year.

We now expect adjusted EPS to be in the range of \$6.17 to \$6.32 per share, representing an improvement over 2013 adjusted EPS of between 14.9 percent to 17.7 percent.

From a capital structure perspective the company repurchased a total of \$581 million of its outstanding common stock during the second quarter of 2014 as part of its previously announced \$1.5 billion share repurchase program.

The \$581 million was comprised of approximately \$315 million purchased in April as part of a 10b51 trading plan plus \$266 million related to an agreement with Merrill Lynch to repurchase shares by June 30, 2014. A total of 9.8 million shares were repurchased during the quarter at an average price of \$59.41 per share.

In total we repurchased \$1.6 billion of stock during the past 18 months and \$3.1 billion since 2007. However, we still remain conservatively capitalized with gross debt of \$1.8 billion in cash of \$621 million, excluding Venezuelan cash.

And thereby have a net debt position of approximately \$1.2 billion with our adjusted trailing 12 months EBITDA of approximately \$900 million, our leverage ratio is just over two times on a gross basis and 1.2 times on a net debt basis.

We generate a considerable amount of cash and like the past seven years we believe we will likely continue to repurchase shares as an attractive method to return capital and create continued value for shareholders.

And while our projections of seeing \$50 million per quarter of additional buyback, given our conservative balance sheet and (strength of) cash flow we will continue to explore options to opportunistically accelerate the returns.

Thank you. This ends our prepared comments. We will now open up the call for your questions.

Operator: At this time if you would like to ask a question please press star then the number one on your telephone keypad. Again that's star one to ask a question. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Meredith Adler with Barclays.

Meredith Adler: Thanks for taking my question. I have a couple of questions. You spent a lot of time talking about the focus on fitness and how that is spreading in certain markets.

Is there the potential for it to move into markets that one might consider more mature? Mexico is still growing but certainly nutrition clubs have been there a long time. South Korea is – can this sort of bring new life to places that one would describe as mature?

Des Walsh: So Meredith this is Des, the answer is absolutely yes. What this, Meredith, is that it started in our most mature market of all, the United States.

And what we see in the United States is it has been hugely beneficial and attracting younger demographic. People very much focus on healthy active lifestyle and effect we've had distributor groups come from all over the world

including Asia-Pacific including Korea to look at the Fit Club Serrine the U.S. So this is something we see really spreading all around the world.

Meredith Adler: And would you say that in the U.S. the younger group that's being attracted is not necessarily Latino? Is this broadening considerably into the non-Latino market?

Des Walsh: Yes it's actually been effective in every demographic. And we're very excited to see a because obviously we see the opportunity ahead. These are young people bringing with them a sensibility and became with other younger people. We're seeing growth in relation to social media and their use of total media.

You've seen them also transform the U.K. There's a market 30 years old experiencing this tremendous growth partially based on the fitness concept healthy active lifestyle, so universal appeal regardless of ethnic group.

Meredith Adler: Thank you, and John I have just a quick question for you.

Obviously the tax rate was a headwind this quarter and because of the Venezuela situation will probably be a headwind or will have an impact in the next couple of quarters but when you look of further is there any reason to believe that you're going to continue to have this elevated tax rate?

John DeSimone: Meredith, I think last year the tax rate was low in both Q2 and Q3 so it was a headwind this quarter that we just reported and it will be a headwind next quarter by about the same amount of basis points, 400-plus basis points.

But historically if you look at 2012, the tax rate for the year was 28.7 percent – that's pretty much what we're expecting this year, and I think that's a good assumption to use out in future periods.

Meredith Adler: Right. And then you mentioned buybacks and if you have the ability to do more. The stock for whatever reason is down a lot today.

Are you willing even this quickly after finishing so much in buybacks are you willing to be opportunistic?

John DeSimone: So we're certainly willing to be opportunistic but the point that was made earlier in the call was that we have a good amount of cash.

We're still conservatively levered. Our EBITDA in the quarter, unadjusted was \$220 million adjusted was \$235 million that annualizes to around \$900 million of EBITDA, which is about what our trailing 12 month was.

On a gross basis we have \$1.8 billion in debt that's a two times leverage ratio which is significantly lower than the covenant that we have. And our net debt ratio was 1.2 times so we do things this is an opportunity and without getting into specifics and how we take advantage of but we will look at to take advantage of opportunities in our buyback program.

Meredith Adler: Great. Thank you very much.

Operator: Your next question comes from the line of Michael Swartz with SunTrust

John DeSimone: Hi Mike

Michael Swartz: Hey good morning everyone.

Just want to touch on the U.S. business I think that was the biggest at least in my mind negative in the quarter.

Would you maybe just what through maybe what you saw there next I understand the comps were pretty soft but I think you made some commentary about getting back to growth in the fourth quarter and what goes into that thought process?

Is it more that becomes get easier or is it something you're seeing in terms of activity levels right now?

Des Walsh: Yes Mike so a couple things. So first of all Mike you see this in the context this is something that you see happening regularly in our business so we saw it in Asia-Pacific region last year.

Fourth-quarter down four percent, first quarter down 6 percent and return to growth in the second quarter of this year.

You seen it happen in Brazil you've seen it happen in Mexico. So we shouldn't look at this as something that's terribly unusual.

Clearly we want to see every number positive but obviously net sales up in the U.S. and that's why when we look at our historical situation of the markets we look at what's happening in the U.S. that's why we're confident that will have a good Q3 and emerge in Q4.

A couple of key factors behind that obviously we've shared those with you 76,000 new members in the second quarter the highest number in Herbalife history.

The indicator for us was the average active sales leaders increasing a key metric for engagement and success. And then obviously the extravaganza that we've just were at where 24 percent increase in attendance from a year ago.

All of those things combined to show us the fundamentals in the U.S. were strong and that's what gives us the confidence about a return to growth later in the year.

Michael Swartz: OK, thanks, Des. And switching over to Venezuela not publicly traded direct marketer was talking about some pushback from regulatory standpoint on pricing in Venezuela over the past month or two. Have you seen anything in terms of that?

John DeSimone: There is a price control in place in Venezuela where they look to limit the amount of profit a company can make.

We have taken price increases over the last 12 months but generally going forward price increases need to be effectively approved or at least not disapproved by the Venezuelan government so we're seeing some of that same activity.

Michael Swartz: But you're not seeing them coming in telling you to roll back prices?

John DeSimone: They did in January but we have not since.

Michael Swartz: OK. Thanks, John.

Operator: Your next question comes from the line of Scott Van Winkle with Canaccord

Scott Van Winkle: Hi, thanks. John, just to make sure I get this right so the buyback that was delivered in June is that completed now? The pre-purchase arranged buyback?

John DeSimone: That was completed, that was \$266 million delivered by the end of June, yes.

Scott Van Winkle: And did that have much of an impact on the average share count in Q2 or that's mostly a Q3 impact?

John DeSimone: So we – I will give you the total of buyback in Q2 and how it factored into the share base. So we bought 9.8 million shares in total during the quarter.

Some of that was done in April and some of it over was done through the contract with Merrill Lynch in May in June. That 9.8 million shares of buyback had about a \$5.8 million reduction in the quarters which means \$4 million and not get reflected in the quarter based on the average of the share basis you can expect Q3 to have around \$4 million less shares than Q2.

Scott Van Winkle: Excellent. Right and then on Brazil the comment one of the drivers you talked about was the World Cup. I'm assuming that you call that out because since the World Cup you've seen a pickup in business in Brazil?

Des Walsh: We called it out Scott because effectively the World Cup reduce the amount of working days I about 10 during the course of the World Cup, and we saw that having an impact not just in Brazil but particularly other markets that share the same time zone.

So the other key factor in Brazil was we shifted from three extravaganza is to one extravaganza and although the total attendance was up what we saw shift was the geographic mix of those attending.

With lesser attending from the farther areas of Brazil where we've had significant growth in recent quarters so that's really the combination of both of those two factors really was the key driver for that reduction.

Looking forward the fact that we didn't have better attendance from certain segments of Brazil may affect may have an impact in terms of third quarter but we expect to get back to growth next year.

Scott Van Winkle: OK, and then on the Venezuela obviously you talked about the cumulative price increase over the last year being over 100 percent. What's the sensitivity to price in that market and obviously there's lots of challenges in Venezuela I'm wondering maybe specifically in the price increases what it does to volume?

John DeSimone: Well hyperinflationary market by the way so what you see happening to Herbalife's prices is not inconsistent with what's happening on the ground with all consumer product companies and there's an element of price control that's now put in place. But overall it's been a big decrease in volume in Venezuela.

Down 40 percent that's not different what we expected coming into the year.

Some of that is because of the economic set of taken place on the ground and some of it is because of supply chain issues with getting product imported into Venezuela from currency controls and deportation control so it's a little bit of a combination which is why you see the decline in Venezuela.

Scott Van Winkle: OK. And then Des in China if you look at the a metrics revenue growth volume growth activity on the service provider side but the sales number which is I guess is equivalent to the members or salesperson number which is equivalent to members elsewhere that number has been down the last six or 7 quarters, is this because there's a transfer to the service provider model?

I'm just trying to put the numbers between those metrics?

Des Walsh: So I think it's a number of factors Scott and that's one of them. Another factor is we launched the preferred customer program in China, which has been very successful.

And I think it's also a reflection of our service provider model focusing more on sustainability and long-term potential. So a number of factors all of which we see as being very positive for the future.

One thing a reflection of our confidence and commitment to the stable growth in the future is that we're just about to move forward with a new manufacturing facility in Nanjing, and we believe this is critical in order to sustain the growth in the China market in the years ahead.

Scott Van Winkle:OK. And then a couple questions additional questions if I could. What percentage of your market maybe in terms of percentage of sales now have a first-order limitation in place?

Des Walsh: So speaking from memory it's probably about a dozen today. And if what were doing now is a course based on the success of that, Scott.

We're looking to expand that into a significant market and being corrected, we're up to 18 now, Scott. Which is an indication of the success of that.

What we see is that it helps people along that road to sales either and similar to the 5K what it does is it ensures that when people achieve that level of sales leaders that they have a stronger more stable business which contributes to long-term retention so a lot of positives and that's why we actually see our sales rolling this out more and more later on during the course of this year.

Scott Van Winkle:OK. And then lastly the new hire on the government affairs side should we expect any change in strategy or kind of real obvious impact I'm wondering what to expect from that higher?

Michael Johnson: Hi, Scott. It's Michael. Alan Hoffman is a great talent and a great fit and Barb Henderson as you know has been just a tremendous executive for us for over a decade and Barbara came to me at the beginning of the year and said I want to work a seamless transition we looked at this opportunity to say you know something eventually we're going to be a Fortune 100 company.

We have to look at the future of this company and how we position ourselves in government affairs and public affairs in communications and we wanted to go out and find the best person we possibly could.

Barb work with the very closely with me on this work with the headhunters and the opportunity to combine these two areas and find a significant person to fit this.

Alan Hoffman is a terrific fit for us. We've all interviewed him and spend a lot of time with them and very thorough and bring this gentleman aboard Herbalife and we're excited and proud.

It won't change anything in the strategic sense but it will coordinate all of our external factors together in terms of communications public relations and government affairs which we think is part of the way more modern companies are setting up their global infrastructure to deal with all the elements that are external to us in terms of getting our story out both to government officials and making them understand who we are as well as under present consumers in the larger marketplace understanding who Herbalife is what we do to impact people's lives on a positive level and making sure people understand that we're one of the top global nutrition company's on the face of the earth.

So sorry for the long answer their Scott but this is an important higher for us and we're very sad to see Barb go and we're excited to welcome Allen.

Scott Van Winkle: Great. Thank you very much.

Operator: Again, to ask a question, please press star one.

Your next question comes from the line of Rommel Dionisio with Wedbush Securities

Rommel Dionisio: Yes, thanks. Good morning. I continue to notice a strong growth your posting in Russia and India and those are too coincidentally markets where addressing direct aspects initiatives to get product to some more far-flung markets I'm wondering if you can give us audio and that a potentially other countries where it might be relevant in the future.

Des Walsh: So I guess the importance of direct assess is very significant.

You've seen us talk about this now in Mexico for many years he saw son report make reference to another store chain that is recently joined our family there and so clearly this is an issue for a worldwide basis.

It is been a factor in Russia and it is we believe huge potential in India also.

Where it's goal to increase access point it creates better fulfillment lower economic axis for distributors. We're working with different partners we have a couple of tests currently in progress. Probably too early as yet to really talk in great detail other than to say the results are very promising and I think and future calls we'll give you more detailed updates as we see it progressed.

Rommel Dionisio:OK. Thanks very much Des.

Des Walsh Sure.

Operator: Your next question comes from the line of Meredith Adler with Barclays

Meredith Adler: Thanks. I would just like to clarify a little bit of about the guidance.

The volume point, the reduction in the midpoint of the volume point growth is most of that tied to the U.S. and is a lot of that a result of what you saw in the second quarter next I think you're saying the third quarter still going to be a bit soft. But is there anything else how do you explain that change?

Des Walsh: You know, Meredith we just want to be conservative right?

So we have this quarter where obviously we believe it is a great quarter. We understand there is some concern about the apparent weakness in the U.S. that we want to be conservative.

In the U.S. we have planned and 18 city tour with our top distributor leaders and so we've got a whole bunch of different initiatives but as we look forward we want to be conservative and guide appropriately.

Meredith Adler: Is it realistic to describe the business as becoming more mature? Are you at a new stage of maturity?

Des Walsh: I don't believe so Meredith because when you look at the macro trends the opportunity for Herbalife is never been greater so we continue to see higher levels of obesity.

We see trends frankly that are very negative from a health and wellness perspective but at the same time that represents opportunity from Herbalife and our message of good nutrition in a healthy active lifestyle.

Also when you look at our most recent extravaganza in Chicago at 24 percent increase in terms of the attendees and so all the things that we look at seen on a maturing market but actually in expanding market.

And with huge runway for growth ahead.

Meredith Adler: Do you think there some variation of opinion on the topic within the company?

Des Walsh: Not informed opinion, and certainly not inside the company.

And again we look to the U.K. here's a market we been in 30 years a market that was last for many years and along comes initially the weight loss challenges then the fit clubs driven partially by Herbalife 24 so whether it's the U.S. 34 years old whether you look at the U.K. 30 years old, what you see is a level of energy and confidence and excitement.

And the other thing I think to put in context, Meredith, obviously I know people are focused on the U.S. business but you look at Q2 2012 our numbers this quarter volume points up 10 percent from where we were in Q2 2012.

So I think you should put that into the equation and factor that in because I think that's a true reflection of the growth that we're having in our business today.

Meredith Adler: Are right. Thank you. Very helpful.

Des Walsh: Sure.

Operator: As there are no further questions I will turn the call back over to Michael Johnson.

Michael Johnson: Thank you very much, and thanks everyone for being on the phone. We know there's been some interesting reaction to these numbers but I think we should put this quarter in context. We had record top and bottom line in Herbalife.

We may have conditioned the market for big beats but we met the high end of our EPS guidance and our EPS is 40 percent higher this quarter than it was before all this other stuff started, the short seller noise started.

We are incredibly confident that the megatrends of obesity, coupled with the success of our products and now the opportunity to build our businesses with a younger Herbalife distributor coming in to a healthy active lifestyle program will continue to drive record growth for 2014.

We're looking forward to building it better every single day to return to shareholders value in this company and we're excited to talk you again in three months.

Thank you very much.

Operator: This concludes today's conference. You may now disconnect.

**END**