

FINAL TRANSCRIPT

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HLF - Q3 2007 HERBALIFE LTD Earnings Conference Call

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CORPORATE PARTICIPANTS

Brett Chapman

HERBALIFE LTD - General Counsel

Michael Johnson

HERBALIFE LTD - Chairman, CEO

Greg Probert

HERBALIFE LTD - President, COO

Rich Goudis

HERBALIFE LTD - CFO

CONFERENCE CALL PARTICIPANTS

Simeon Gutman

Goldman Sachs - Analyst

Rommel Dionisio

Wedbush Morgan Securities, Inc. - Analyst

Karen Howland

Lehman Brothers - Analyst

Chris Ferrara

Merrill Lynch - Analyst

Scott Van Winkle

Canaccord Adams - Analyst

PRESENTATION

Operator

Good morning and thank you for joining the third quarter 2007 earnings conference call for Herbalife. On the call today is Michael Johnson the company's Chairman and CEO; Greg Probert, the company's President and COO; Rich Goudis, the company's CFO; and Brett Chapman, the company's General Counsel. I would now like to turn the call over to Brett Chapman to read the company's Safe Harbor language.

Brett Chapman - HERBALIFE LTD - General Counsel

As you know, actual results may differ materially from those discussed or anticipated. We encourage to you refer to yesterday's earnings release and our SEC filings for complete discussion of risks associated with these forward-looking statements in our business in addition during this call. Certain financial performance measures may be discussed the difference from comfortable measures contained in our financial statement. Prepared in accordance with U.S. generally accepted -- (inaudible) referred to by the SEC as nonGAAP financial measures.

We believe these nonGAAP financial measures assist management and invested in evaluating a period to period results of operations in a more meaningful and consistent manner. Please refer to the investor relations section of our web site, Herbalife.com to find our third quarter press release containing a reconciliation of these measures. I will now turn the call over to Michael.

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Michael Johnson - HERBALIFE LTD - Chairman, CEO

Thanks Brett. Good morning, everybody. I'm fired up on lift off this morning and I've got a lot to say so buckle your -- fasten your seat belts as they say. It's a great morning to be part of Herbalife. Welcome to our third quarter earnings call. Before we update you on a third quarter, let me comment on the events that adversely affected our stock in the last few days.

On Monday, an individual who claims to be a fraud investigator issued a report that put in question our integrity, our marketing plan, and our ethical fiber as such. This rattled your confidence. It rattled your investor confidence in our business model, our management team and our company. I'm here to fix that right now.

When considering how the guest respond to this report, we debated getting into the sand box and trading tick for tack and taking the high road. I have every intention taking the high road. Herbalife is a great company, a company of which I am personally very proud. When I left Disney four and a half years ago to join Herbalife, I found a company that needed improvement. It lost its founder in 2000. It had several CEO and senior management changes in three years. The company had new owners we're looking for new leadership. It was a company that was very tactical which lacked strategic direction. We had a senior management team that was not united in purpose and our distributor and employee confidence in the long term future of the company was frankly in doubt. I have often told investors when I joined Herbalife I viewed this company as a company of yesterday, today and tomorrow. Knowing one can't change history, my focus was firmly on the future of our company. I immediately set out to build a strong leadership team, develop a growth strategy, re-establish distributor confidence and add to the integrity of our products our business opportunity, our brand and our company image.

Let me take a moment to summarize what we, collectively with our distributors, employees, our nutrition advisory board and our board of directors have accomplished in the past four and a half years. We've restored growth of Herbalife, double digit top line growth in the past 36 months. Through specific strategic initiatives leading this year's growth was the U.S. It's our oldest market. It's 27 years old. It grew 20% in the last quarter. Let me share with you some global comparisons to 2003. Today we have -- we currently have 1.7 million distributors. That's an increase of 58%. We have more distributors moving up the marketing plan than ever before. This is one of the many ways we define success. Our supervisor growth is up 52%. Our get-team growth up 51%. Our meal-team growth is up 51% also. Our price team growth is up 40%. We have added eight new (inaudible) an increase of 33%. We now have two members of our founders circle. We developed strategies to strengthen retailing, retention and recruiting which you've heard us call the three R's. We modified the marketing plan to include supervisor retention. The result has been an improvement in a retention from 28% in 2003 to 42.5% in 2007. We initiated a sharing of best distributor practices worldwide.

The company invests in those practices which we call D.M.O.s to focus on retailing and retention. The most popular of these D.M.O.s are nutrition growth which many investors on this call have visited over the past several months or even years. We have more balance today among the three R's than any time in the company's history. That is thanks to our leadership of our distributors who globalize the successful D.M.O.s. And for distributors who decide to leave our company, we have an industry-leading policy to accept product returns for up to one year. Our buyback rates are approximately 1% of net sales. We have invested in staff to strengthen our internal controls policies and procedure.

In today's world, operating with integrity's not nice to have, it's required. We have been SOX compliant each year that we have been public. We have a distributor whistle-blower hot line which handles complaints by and against our distributors. We have minimal activity on this line, but each complaint is investigated and we reviewed the results quarterly with our audit committee. We have a worldwide ethical business practice group that monitors distributors activity and proactively responds to questionable business practices. We have a worldwide internal audit staff that reports directly to the audit committee of the board.

We have improved and upgraded the science behind our products along with expanded product rating and coaching with the assistance of highly regarded professionals. Our nutrition advisory board, we have built a global network and scientists and doctors. One of them who was a noble laureate with impartable credentials that assists our R & D team in reviewing and developing new products. Along with teaching our distributors about the science behind our products. At UCLA, we have a

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strong affiliation where we've established the mark Q cellular and molecularly nutrition laboratory at the Center for Human Nutrition.

At the University of Mississippi, we have a partnership who will assist us in the development of future botanical and herbal products. We currently have six clinical trials underway at various universities throughout the world.

We've introduced new products with great science that compete well in the marketplace. Let me name a few. Niteworks, it is a (inaudible) developed by a Nobel Laureate. Liftoff, an excellent energy drink that is being consumed at this moment by people around this table and around this world and competes head to head retail with many of the best energy product. Best Defense, which helps to boost immunity. H.D.O., fabulous hydration product. A new Kids line for kids nutrition. Skin Activator and a complete new Neurofusion line that's a line of personal care products fortified with vitamins. We have built a tremendously talented management team which I am very proud of. Its comprise of executives from some of the largest brand companies in the world. This is a team of high moral fiber, strong business ethics.

Lastly, we created a company vision, mission and value statement that provides all of our employees and distributors with a fixed moral compass. Now let me address some of the more specific points in this report. The report specifically states that our company is operating improperly in the People's Republic of China and our global marketing plan and distributor practice are designed for failure. Let me reiterate the facts as we have previously disclosed. We have strong confidence in our direct selling business model on a global basis. We operate in compliance with all applicable laws in 65 markets throughout the world. Our business model has stood the test of time for 27 years. As we have discussed in previous calls, the operating environment in China is difficult and different. In China, the regulations require a differentiated business model and compensation plan.

As such, we modified our marketing plan to on employee retailer model. This was done with the assistance of a highly regarded Chinese law firm to ensure compliance with Chinese regulations. As part of a thorough review of our application for a direct selling license, our operating model and compensation pen was reviewed in depth with Chinese government officials. Based upon this in depth review in March 2007, Herbalife received a license to conduct direct sales and (inaudible). Subsequent to receiving this direct selling license, government officials reviewed and audited our operations over a three-month period and ultimately proved the expansion of our direct selling license to the entire length in province in July.

While we may from time to time have employees or distributors who do not probably follow our company policies, we firmly believe that our business operations complies with all laws and regulations. We demand of our employees and distributors to do the same. We have a very strong internal controls in systems which are intended to ensure that our employees follow our companies policies and procedures. We have a very strong ethical business practice department that is responsible for enforcing distributor compliance of all of our business practice rules. In both cases, when we find cases of noncompliance, we take swift and decisive action to correct the situation.

As chairman of Herbalife, I expect our employees and distributors to follow our vision, mission, and values to operate worldwide with the highest level of integrity. In the same report, the age old M.L.N. stereotypes were mentioned regarding earnings claims specifically suggesting that 82% of Herbalife's compensation was paid to less than 1% of our distributors.

Let us through the numbers. Of our 1.7 million distributors, approximately 25% or 419,000 have attained the level of supervisor. Supervisors are those distributors who conduct part-time or full-time business with Herbalife. In 2006, the company paid royalty overrides of \$675 million to this group. We proactively published the average earnings for our various supervisor team levels on our web site. Of the remaining 1.3 million distributors, based upon average order sizes, we believe that 58% are discount buyers, that 22% of small retailers and customers and that 20% are potentially future supervisors. Let me repeat that. 1.3 million distributors based on average order sizes, we believe that 58% of discount buyers, 22% of small retailers and 20% are potentially future supervisors. Additionally, distributors and supervisors collectively earn retail discounts of \$1.5 billion in 2006 reflecting a potential retail markup. Network marketing is a very challenging business. Success of an Herbalife distributor can be broadly define. It could be someone who achieved their desired weight loss to someone who earned a little extra income to make ends meet or someone who is making a full-time living building a sales organization.

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Lastly, there was a question regarding the language contained in our extension request for a 10-Q filed in November of 2006. The delay in our filing last year related to review and conclusion of an internal investigation. We modified our language slightly to appropriately reflect the specific reason for the delayed filing. This process and language was reviewed by our audit committee and outside auditors. It's unfortunate we have to spend this much time on a report of this nature but now it's time to move on to the more important topic for today's call which is the review of our earnings performance for the company and positive our outlook for 2008. This has been, frankly, another great quarter.

Let me share some highlights with you. We achieved net sales of 529.5 million dollars, an increase of 11%, our 15th consecutive quarter of double digit sales growth. The operating profit margin extended a 125 days as points to 14.8%. The operating profit margin expansion reflects the operating leverage in our business model along with the benefits of our realignment for growth initiative that began in 2006. Over the quarter, we repurchased 1.7 million shares which created 1 set of accretion. We set new records for net income and EPS. Our net income increased 27%. Our EPS increased 32% compared with the third quarter of 2006. We announced our third quarterly cash dividend of \$0.20 per share maintaining the dividend year of approximately 2%. During the quarter, our distributor set new records.

For the first time in our 27-year history, our distributorship achieved the 70-K level of our marketing plan. This record was achieved by distributor in Mexico who created nutrition clubs, a method characterized by strong consumption and daily retailing. This means this distributorship achieved 70,000 royalty points for three consecutive months. That equates to approximately 1.4 million volume points each month for three consecutive months. That's a tremendous accomplishment. That's a lot of retailing and a lot of consumption.

As a result of this success, many distributor levels -- excuse me, as a result of the success of many distributor leaders, we are now working with our distributors to add new recognition levels of 80-K, 90-K and 100-K in anticipation of continued growth and sustained positive momentum by many of our top distributors. These recognition levels are very important as motivation or components of our business. Another important distributor milestone in the quarter would be the addition of our 32nd member to our chairman's club.

In October, we welcome Manny and (inaudible). This is the first distributorship from our Spanish-speaking South American region that joined the chairman's club. We have built a tremendously successful business based on a mix of D.M.O.s. Their success was reflected in the strong growth in our South American region and a recognition that all of the various distributor D.M.O.s can work.

During the third quarter of 2007, we met with over 60,000 distributors during our extravaganzas all over the world and had record-breaking attendance at several events. These large events are important for many reasons.

For me, these events are the venue I have the opportunity to address our distributors directly and reinforce the four pillars of operating with integrity and confidence at Herbalife. We do it through product, business opportunity, our brand and our image, and it provides the following forums for us. A forum to introduce and train new products, to offer distributors coaching and training from our doctors, create an environment for the sharing of best practices for many successful distributor leaders. It's a source of community where distributors can meet and network with each other. This provides a forum or distributor recognition that is very important. And they're a source of inspiration with the aid of motivational speaker like our very own (inaudible) whose wife is now a distributor, and from the stories our distributors share about their personal experience. Strong ticket sales are good qualitative measure of our distributor excitement momentum. Our business is a momentum business. Positive momentum is working in our favor. It's working across all parts of our business as our distributors have tremendous confidence in our product, the business opportunity, our brand and our image. For our products, we realize obesity continues to be a global threat. Our products are developed and distributor programs are created to fight this megatrend with the best weight management and nutrition products in the world. She's products are built on a foundation of strong science. In fact, as I mentioned before, we have six clinicals underway.

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Over the past few years, we have been customizing delivery of this product to strategically support various distributor D.M.O.s. For example, in July in North American extravaganza, we launched our new Kids line and H3O, our hydration product. Our Kids line addresses both the children's health and child growth obesity epidemic by offering nutrient filled snacks and supplements and it opens up a product and business opportunity for stay at home moms. H3O is a key product addition that supports our brand alignment with healthy active lifestyles as well as supporting the margin D.M.O.s such as well as wellness coaching and sampling.

At our European extravaganza in Columbia, we introduce single serve Formula One packets to support the emerging sample and wellness D.M.O.s as well as a second shake per date opportunity for nutrition clubs. In Brazil, we launched the first part of our strategic either care product line in a world team school in August, this line is called soft green. In all products contain green tea. Phase one launch included a hand moisturizer and liquid soap. The three additional products to be introduced at Brazil at our extravaganza coming in December. This line was developed locally in Brazil in conjunction with our corporate R & D team and are strategically priced to compete in the marketplace. Herbalife for life is our underlying platform for a product strategy, balanced nutrition, personalized for a healthy, active lifestyle.

Historically, the product platform for a company was weight loss, but what it's about is that our distributors have broadened the message from weight loss to weight management and with that shift, comes a communication and coaching for good nutrition and living a healthy, active lifestyle. This is evident in the emergence of D.M.O.s such as nutrition club D.M.O., wellness coach and others. Looking forward to 2008, we will continue to pursue product and packaging innovations and line extensions and help our distributors fight the mega (inaudible) of obesity and support the message of Herbalife for life. For our business opportunity for 27 years, this opportunity at Herbalife has been an industry leader. The global nature of our marketing plan and our commission payout obviously has provided millions of individuals the opportunity to improve their way of life. Through a spectrum living from ranging of part time to full time. One of the questions I've been asked about in the recent month is how will macro economic trends affect our business? That's a fair question as many product-based companies has expressed concerns about changes in consumer spending especially in the U.S. My response is that we are a unique business.

Prior to our I.P.O., we studied historic sales, performance trends to better understand if there was a correlation between our performance in macro economic trends. Our analysis did not identify a correlation. Our qualitative rational's simple in both strong and weak economic times. People want access to highly efficacious products and want opportunity to earn supplemental income. The Herbalife experience is a unique combination of health and wealth.

We're proud of the fact we have a great business opportunity and our distributors have improved upon traditional business by developing and sharing their best practices with new distributors coming into this business. Our independent distributors are our competitive advantage. Retail sales can't coach or mentor you or help you achieve our health and wellness goals. Our distributors can and they do. Our distributor D.M.O.s have involved the long with our products to create a more successful business opportunity for our distributors. For example, our nutrition club D.M.O. which has a -- which is a strong retailing D.M.O. is successfully being implemented by our distributors worldwide. In many markets, we now have a solid base of the original in-home nutrition clubs originally created in Mexico. Our innovative distributors have modified this initial message creating what is called central clubs. In the U.S., Central America, South America, and Taiwan just to name a few countries. In the central club, several distributors worked together at a third party location to elaborate the resources to serve a large customer base. Central clubs tend to have a larger membership and are open throughout the day and in the end of the evening. In some markets such as the U.S. and Taiwan, we are beginning to see at another club innovation which we call commercial clubs. These clubs are usually located in business locations and target customers on their way to or from work.

We believe we will see a continued evolution of this highly successful club and the adaptability of this core D.M.O. in markets such as Russia and Brazil. The third quarter was packed with exciting news about the sponsorship of the LA Galaxy. As we focus on the brand, we realized that more than 1 million galaxy of apparel items with the Herbalife logo had been produced and distributed throughout the world. That means 1 million walking and talking billboards for our brand creating more positive brand awareness than ever before and aligning our brand with a healthy, active lifestyle. This awareness is providing more door opening opportunities for our distributors to talk about our products and business opportunity with prospective customers

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and distributors. We believe the brand impact goes well beyond Los Angeles. The largest tried ever for an MLS game is when the Galaxy played New York in front of a crowd of 66,000 fans. When the Galaxy play across the U.S. it is very typical to see a photo of David Beckham wearing the Herbalife jersey on the front of the local newspaper such as "The Washington Post" and the "New York Times" to name a few.

The Galaxy are scheduled to play in exhibition games in the Canada, Australia, and New Zealand in the next few weeks.

In 2008, we look forward to added brand awareness when the Galaxy will play 30 to 35 games including a more robust international schedule. Our distributors have capitalized on this branding opportunity, reflecting once again their ingenuity and innovation. A recent example of this lies in South Florida where one of our president team member partnered with the local youth soccer association, A.Y.S.O. to sponsor the (inaudible) of Saber Youth (inaudible) league. They put brands on every jersey so thousands of kids in (inaudible) are just like the Galaxy with Herbalife emblazoner across their chest. Our brand investment in LA Galaxy in numerous other scoring events and varies events throughout the world is helping improve our brand image. But more important, the actions of our distributors.

We constantly tell our distributors it's how they use our products and become products of the products and share they're personal testimonials. It's how the services create a successful business, servicing their customers with personal coaching, recognition and support it's how our distributors strengthen their image in their local community. The way our distributors do this successfully is with integrity. It's at the root of every successful distributor. It's been another great quarter. But as I have said before, we're just getting started in Herbalife. There's more worldwide need for good nutrition than ever before. The obesity epidemic continues to grow. According to the World Health Organization, sadly, there are now more than 1 billion overweight adults globally. We have so much room to improve the lives of others.

Now I'll turn it over to my partner Greg, who is our President and COO, to discuss the recent business trends and insights into 2008.

Greg Probert - HERBALIFE LTD - President, COO

Thank you, Michael. Before I start, I would like to prepare remarks. I would also like to congratulate our distributors and our employees for the records they set during the third quarter and more importantly for their unity and teamwork which has created tremendous excitement and positive momentum throughout our business. Well done, everyone. Now let me provide you with an update for our key market, the U.S., Mexico, Brazil, and China. They elaborate more on our infrastructure investment for 2008.

The U.S., a market which we have operated in for 27 years had a strong quarter with net sales up 20% compared to third quarter 2006. These results mark the fifth consecutive quarter of 20% or better growth. The U.S. growth continue to be driven by our Latino distributors who now represent 61% of total sales growing at 37% year-over-year. Growth in this segment is driven by both our traditional business, coupled with adoption of the in-home nutrition clubs and the emergence of the central club concept. The nonLatino segment which increased slightly over 2006 comprised 39% of the U.S. sales in the quarter. The emerging sampling D.M.O. has been a catalyst for growth in this part of the business.

Distributor trends in the market were positive with new supervisors up 15% compared to last year and more importantly the total number has increased 15% sequentially from second quarter 2007. The U.S. had either double or triple digit growth in all of the top ten metro areas and of the top 25 metro areas collectively grew at 34%. Even after 27 years, the concentration of the top metro areas means we still have tremendous expansion of penetration opportunities across the United States. Looking towards 2008, there are several initiatives in place to support growth in the business. We will enter into our second year to LA Galaxy jersey sponsorship and look forward to even more Sugar Land, grass roots branding efforts to multiply our branding investments. We're developing this to target the college market where distributors are able to sample markets like Liftoff as well as share the business opportunity. We are investing (inaudible) from non-Latino segment. Our efforts are focused on

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ensuring positive momentum and collaborative leadership which mostly like change your pin and separate training and recognition events. We are also evaluating infrastructures expansion including opening additional walk-in centers in cities where there are established Latino distributor base.

Now let's turn to Mexico. As anticipate Mexico experienced a net sales decline in the third quarter down 13% from last year reflecting the most difficult period in 2007. While this a bit below our initial expectations, we believe the record attendance of the Mexico City extravaganza in late September contributed to some of the softness late in the quarter. The action plan laid out to you in January has essentially been complete or we begin to see early signs of success. The first part of the plan infrastructure enhancement has led to distributor penetration in new markets. The states with local sales centers are growing 47% over 2006.

At 25% of total volume at metro now comes from the new centers. Some of this is a shift in business from older more congested centers as some of this growth represents new penetration in the local markets. The second part of the action plan was to improve compliance through additional and more extensive distributor training. They are most recent (inaudible) better compliance as a result of this commitment from our distributor leadership to train the organization downlines. This training has been focused on both nutrition club, operations and the Herbalife rules and code of conduct. We expect the future growth of Mexico will come for expansion of service centers as a new market along with the stronger better trained distributor base as it more deeply penetrate the marketplace.

Additionally, there were the number of large training initiatives in the country in the quarter including S.D.S. programs in 40 cities throughout July and August. Finally, we're seeing excitement momentum in the market. As we mentioned Mexico extravaganza had record breaking attendance. As a preview of the fourth quarter, volume is trending up 6% sequentially from September and I.B.P. sales which are a new distributor keys for October are trending up 21% sequentially. Both are good indicators of positive momentum and coming out in September extravaganza. 2007 was a year to fact many of the growth pains that resulted from triple digit growth during much of 2005 and 2006.

I am very confident that we would leave 2007 with a stronger magic-team, a better trained distributor organization along with positive distributor momentum that should lead to success next year. Looking towards 2008, our local promotions have focused on simulating recruiting with rewards based a new supervisor recruitment on encouraging the opening of new nutrition clubs. Other key initiatives in 2008 include branding efforts, the advertising on only T.V. with a product place of program as well as a soccer stadium sampling program that reach over 1.3 million consumers.

Now Brazil, Brazil continues to transition into a more balance measure to the three R's, retailing, recruiting and retention. There are two key initiatives in place to support this transition. Conversion to the customer club D.M.O.s and product in pricing. Our short-term efforts are focused on supporting our distributors conversion to this new D.M.O. developing excess building supervisors with nutrition clubs been an an integral part of that plan. The distributors who have been working strategically at D.M.O. for more than a year are getting traction with volume point of 6%.

As we're seeing from other markets, the transition in nutrition club does take time and it has been the case for Brazil as well. As Michael mentioned earlier, Brazil is one of the countries or distributors having success with the central club concept. On our support the distributor leadership in this approach, we focus resource against distributor training, sales tools and affordable product. Training for the quarter include a world's team score in July with over 3500 distributors in attendance, a nutrition club training in South (inaudible) in August with over 3,000 distributors in attendance. Sales tools include nutrition club sales, (inaudible) and manuals as well as a new product catalog which supports all of the D.M.O.s. These programs have been well received by distributors. For example, the new product catalog launched in July at the World Team School sold at the rate of 7 times faster than the previous previous catalog.

Additionally, distributor leaders are returned to Brazil a successfully opening Peru in December of 2006. Peru realized third quarter net sales of 8.2 million and over 17 million in 2007. To address price and improve our support distributor retailing, we created soft dream which is competitively priced personal care line. The other term market in Brazil is 10 times larger than the (inaudible) market and this new line provides distributors with the opportunity to better penetrate this market. The new product

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line is strategically priced to compete against other leading brands. Phase two of this line will be introduced in December and includes shower gel, body lotion and bath oil.

In October, we made selective price reductions in our existing out-of-care line taking advantage of favorable exchange rate just a couple of the shift to local products resources. 2007 has been a major transition year for Brazil distributors. They have made the conscious effort to shift their efforts towards D.M.O.s and they will provide a balance to the three R's and therefore increase their business annuity. I am confident that we will continue to build positive momentum as we ahead in 2008. A great catalyst for this momentum would be a large distributor in December where we host a Brazilian extravaganza and Rio de Janeiro with anticipate attendance of 11,000 distributors.

For 2008, the market will continue to make this transition to a more balanced model with an increased focus on retailing and retention. We continue to support this with education, sales materials and product. Additionally, we will continue our expansion to larger personal care market and develop more product locally to allow us to be more price competitive.

Now let's turn to China. China continues to be an opportunity for us. Net sales are up 89% during the quarter and new supervisor growth was 150%. Through the third quarter, we have opened a total of 90 retail stores and 29 provinces.

In October, we hosted a world team school with 3500 distributors in city of Chengdu. Government relations in China are important aspect of having successful legitimate business. Our strategy has been to have a great proactive government relations program in China. During the quarter, Herbalife will participate in a government-hosted meeting with S.C.I.C. and (inaudible) officials where the government announced an increase in forcement and direct selling.

Our participation was viewed favorably by the government as an example of our continuing efforts to maintain strong relationship with government agencies who are enforcing the direct selling regulations. The management changes in the region during the quarter were well accepted by distributor leaders. In August, Paul Miller, our chief strategic officer and I met with both S.C.I.C. and (inaudible) officials who communicated changes in Herbalife would not affect our favorable relationships with the government. During 2007, we continue our expansion in this market.

As you know, we received our first direct selling license (inaudible) and March and after thorough review which included field audits by the government who received our first credential license in July. And we have submitted our application for direct selling license in five additional provinces. Our efforts in 2008 will focus on further expansion coupled with investment in our infrastructure to ensure we provide employees, distributors and retail customers with business plan training, a premium customer service and world class products. We also invest some stronger relations, ethical business practice overside and expansion of our store and manufacturing infrastructure in an effort to support future growth in this market. Now let's talk about infrastructure.

Over the next 18 months, we will complete the global rollout of Oracle ERP system. This global rule out plan constitutes the majority of our projected CapEx spending in 2008. The key components include the rule out of Oracle order management market globally as well as net sales software, hardware and database upgrades through better, more integrate information for our business.

We are making these investments and/or to better support distributor operations, improve customer service, support our emerging customer initiatives, improve upon our business analytics and support new company openings. This is a critical internal initiative which we must complete in order to achieve our long-term growth goals. Now let me turn the call over to Rich to discuss our financial results.

Rich Goudis - HERBALIFE LTD - CFO

Thanks Greg. Let me walk you quickly through the financial results contained in yesterday's press release in our 10-Q then provide our financial guidance for '07 and '08. Then we'll open up the call for your questions. Net sales of 529.5 million in the

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third quarter are 11.1% up versus the third quarter of 2006 which we experienced strong sales growth in our top 10 markets which are up 11% versus 2006 led by double digit growth in the U.S. of 20.4%, Taiwan up 23.6%, China up 89.3%, Italy up 15.8% and Venezuela which is up triple digits.

As a whole, our top ten markets comprise 69% of our business up from 68% in 2006 reflecting the global nature of our business, changes in FX rates provided a benefit of 370 basis points in the reported growth rate. Gross profit in the third quart was 223.7 million or 80.0% of sales reflecting an improvement of 39-basis points compared to 79.6% in the third quarter last year.

The increase from year-over-year was primarily the result of increase from China sales as a mix of our business, which is a 20 basis points, lower transportation costs coupled with real vision of vendor cost savings, 12 basis points and price increases in several of our markets which is 7basis points. Royalty expense for the third quarter of 186.5 million or 35.2% of sales improve 19 basis points compared to 35.4% in the third quarter last year. Improvement over prior year was primarily due to the impact of China royalties which are approximately continues an SG&A due to the employee model we used in China. Normalizing for China royalty expense was 36.8%, 55 basis points higher than the 36.2% in 2006. SG&A expense for the third quarter was 158.9 million, an increased to 12.8 million versus 2006.

As a percent of sales, we experienced an improvement of 66 basis points to 30.0% compared to 30.7% in the third quarter last year. The dollar increase was primarily attributable to higher labor and benefit expense including our China distributor royalties contained in SG&A and adoption of SFAS 123R as well as increased in sales and then when we hosted one more large extravaganza in the third quarter of 2007 compared to the third quarter of 2006. What would be normalized for China royalties, SG&A as a percent of sales improved 162 basis points compared to the 28.2% -- excuse me 228.2% compared to the 29.9% in 2006. Third quarter operating income was 78.3 million or 14.8% of sales, an improvement of 125 basis points compared to 13.5% in the third quarter last year. Third quarter interest expense of 2.7 million versus the 25.9 million reported in the third quarter of 2006. Once you exclude the 2006 expense for the debt refinancing, interest expense was essentially the same up about 200,000 on the lower than a year ago. Our third quarter effective tax rate was 36.0% versus a 31.5% reported rate for the third quarter of '06.

However, excluding the 2006 tax benefits in the third quarter 2006 effective rate would have been 38.1%. Excluding these outstanding issues from a year ago and third quarter 2007, we realize the 200 basis point improvement in our effective tax rate. Net income on our reported basis was 48.3 million in the quarter compared to the 26.5 million in the third quarter of '06. Excluding certain items from 2006 as I just mentioned and contained in our press release issued yesterday, net income was 38.1 million in the third quarter last year representing an apples to apples increase of 27%.

On an as-reported basis, third quarter diluted range per share was \$0.67 versus \$0.36 reported in 2006. Again, excluding the certain one-time items just mentioned, third quarter '06 diluted EPS was \$0.51 cents. Based on this, third quarter '07 EPS increased \$0.16 or 31.6% year-over-year.

So in summary Filipino, our third quarter net sales were up 11% and our income was up 27% and our adjusted EPS growth rate of 32%. Now turning to the balance sheet we had net debt of 67 million as we ended September with 228 million in debt, 149 of which was our term facility and 161 million for cash. During the third quarter, we used 14 million an excess cash to pay the second quarter dividend and 16 million excess cash along with \$49 million revolver to repurchase 65 million of our company's stock. Year-to-date inventory's declined 19.5 million reflected in the burnoff of inventory which is primarily built last year from Mexico. From an efficiency standpoint, our days on hand improved to 123 days down from 11 days from December of '06 and inventory returns was 3.0 in the quarter. CapEx of 9.2 million in the quarter primarily reflects 5.5 million investments for I.T. infrastructure coupled with 3.7 million and leasehold improvements from LA related to our corporate relocation to Florence.

In August, we announced that the board of directors had improved an increase in our share repurchase authority by \$150 million. During the third quarter, the company repurchased 1.7 million shares of its common stock throughout the market transactions at an average price of \$39.23 for an aggregate cost of 65.1 million. The company used excess cash along with debt to fund the repurchase. Since our share of purchase program was authorized in April of 2007, the company repurchased 5.2

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million shares and an aggregate cost of \$204 million. In August, we closed a \$150 million additional credit facility to assist with our ongoing share repurchase program. Reflecting the strength of our credit, the facility was \$100 million oversubscribed.

Finally, let me reiterate our fourth quarter and full-year 2007 guidance. Due to the strong performance in the third quarter, coupled with the recent business trends, the balance for the balance of the year and anticipated for the balance of the year, we anticipate fourth quarter EPS to be in the range of \$0.72 to \$0.74 and full year 2007 EPS to be between \$2.62 and \$2.64.

We are also re-affirming our top line net sales growth guidance of 9 to 11% for the fourth quarter. For the first time we're providing guidance for 2008 and consistent with what we always conveyed last year, we're eliminating our guidance to top line and bottom line along with Capex. Net sales top line growth rate we expect to be in the range of 7 to 10% versus 2007. We anticipate our fully diluted EPS would be in the range of 3.17 to \$3.23.

Our Capex will be in the range of \$85 to \$95 million primarily reflecting the Oracle rollout. Please note that this guidance excludes costs expected to be incurred related to our growth initiative and tax adjustments to be in the first and second quarter as noted in our press release.

Our guidance also includes the accretion from the recent share repurchase of \$5.2 million and expectation that we will conclude the currently authorized \$450 million share repurchase throughout 2008. Before we go on to and open the call for questions, let me just comment on I wanted to adjust the disclosure we added on page 38 of our 10-Q following the SEC last night.

While the disclosure speaks for itself, due to several investor calls this morning, let me take a moment to elaborate a bit more. Number one this is a voluntary request, not a formal order by the SEC. Number two, the SEC routinely requests additional information from companies. Number three, we talked with the SEC and informed that we will fully cooperate with their request regarding the production of documents related to the personal use of Herbalife products by the company's distributors and the company's related policies and procedures. Fourth, the SEC did not disclose a reason for the inquiry but it might be safe to assume that it relates to the most recent fraud (inaudible) circulates to the SEC last week. And finally, I want to reinforce that the company had no obligation to disclose this matter, but in the spirit of full disclosure and our commitment to best practices in corporate governance, we add information on this voluntary request to attend yesterday. With that, let me open up for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Our first question comes from Simeon Gutman.

Simeon Gutman - Goldman Sachs - Analyst

For Michael and Greg, have you been insolate this business model from reputation challenges and we've spoke been it in the past, you know, it maybe from past experience you can elaborate and then it is something that seeps into the distributor base?

Michael Johnson - HERBALIFE LTD - Chairman, CEO

Well, it's Michael. Good morning. It does not slip into the distributor base at all. Interestingly, enough there's thousands of people getting shakes right now globally. They don't care or concerned with this ,they're concerned with good nutrition, a business opportunity and building, you know a future for themselves. So it doesn't slip into there. Our business model's incredibly strong. It takes a moment for corporate because we get, you know, we have to respond to things like this. We can't stand being dragged down in the dirt with this kind of stuff. As I said before, we won't be dragged down anymore. We have a lot of time

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spent, you know, hours spent some day in here. Everybody aim staring at's been here until 1:00 and 2:00 in the morning preparing this call making sure that we are giving you adequate information and defining exactly how our business model operates. We tried to be extremely professional and rise above this. This industry, unfortunately, has players in it who tend to spoil the image of it. Direct selling's a wonderful model. It is a model for people to have some income at home, large, small, whatever they desire to do.

We've got great products. We've got a great business opportunity and we've got great distributors. I'm very proud of what we're doing. It's a \$100 billion industry that we're living in, you know, and unfortunately, there's, you know, wins that are from the past that blow through every now and then. Frankly, you know, to be forced to be responding to them bothers us, but for our investor confidence for our distributor confidence, we do it. Right after this, we'll be on the phone call with our distributor leaders. To go through this call, to go through the quarter, to talk to them about what we've talked to you about, about the past, the present and the future of the company. And frankly, we'll use this moment to make sure everybody takes inventory and stock in what they're doing and how they are conducting their business.

So, we use this as a platform as we're learning, as a mechanism. Our distributors are frankly, a little tougher about this than maybe we are because they've been going through this for a long time. They've been hearing about, you know, the ills and wells of this industry and they sit there and watch people benefit from this. They say lives change and hear testimonial and watch weight get decreased. They see complete changes in people's personal conditions in lives both health and wealth and they're confident. So, you know, they have a ground that they stand on. We stand on a ground of high FX of strong moral fiber and we would be on a high road forever. So, you know, this is a moment where leadership is important, not only our distributors but it corporately and frankly with our investors too. So, you know, Simeon, I hate to be long-winded there but it's an important question. Thank you.

Simeon Gutman - *Goldman Sachs - Analyst*

No problem. Are there incremental conference calls that you'll be pursuing aside from the most senior level of leadership down or will it just start at that point and go from there?

Michael Johnson - *HERBALIFE LTD - Chairman, CEO*

We're just going to do it with the chairman's club. They'll work it down. This is where their leadership comes in the play and they show what they're all about. They're all about strong leadership in the organization. As I have said before, they have been through these types of moments. They're probably stronger at it and better at it that we are.

Simeon Gutman - *Goldman Sachs - Analyst*

Okay. Back to Mexico, can you talk about what the response has been so far from the new nutrition club promotion and then related to that, in the 7 to 10% top line growth assumption for '08. Is it fair to think that Mexico at least at this point in time is sort of a mid to low single digit grower in less context?

Greg Probert - *HERBALIFE LTD - President, COO*

Yes, first, I think the response the promotion's too early to tell. As we said it's a long-term promotion as we have a multi-year promotion. You know, we expect right now that given the run rates and the trend in Mexico that Mexico should finish up very slight single digits in the fourth quarter. Then we hoped we'd build continually and sequentially on that throughout 2008.

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Simeon Gutman - *Goldman Sachs - Analyst*

Okay and then as far as Capex for actually looking past '08, is this step up a temporary event for '08 and does it moderate for '09?

Greg Probert - *HERBALIFE LTD - President, COO*

Yes, actually have two stepups in '08. The majority which is the complete rollout of Oracle over the next 18 months. Then another stepup is we will be actually moving to LA live which is kind of like the Times Square of the West next year. There's a little over 10 to 20 million in Capex for that in. So, once we get through we'll have, you know, moved facilities, all of our major facilities here in the U.S. which we've been in for 20 years will have moved over the last '06, '07, '08, '09. We get down to a normal run rate. I think both in terms of information technology investment as well as facilities.

Simeon Gutman - *Goldman Sachs - Analyst*

Okay, and just lastly for you, Rich, have you guys ever thought about just more frequent updates on the business in terms of monthly sales but especially in this context of just more quarterly updates on the health of the business?

Rich Goudis - *HERBALIFE LTD - CFO*

It's a good question. I think, you know, we're pretty proactive with the investment community. We don't miss investor conference and we don't really miss a request to go out and market with people like yourself. I think we do a very good job reporting on a quarterly basis. Effectively what we're doing now is mid quarter update. I don't see us changing that method.

Michael Johnson - *HERBALIFE LTD - Chairman, CEO*

We have an investor date coming at the end of this month.

Simeon Gutman - *Goldman Sachs - Analyst*

Okay, Great. Thanks, guys.

Operator

Our next question comes Rommel Dionisio.

Rommel Dionisio - *Wedbush Morgan Securities, Inc. - Analyst*

Good morning, I'm from Wedbush Morgan. With regards to the U.S. business, first of all, great performance in the quarter. The Latino business has obviously been a key driver and I think nutrition clubs have been a big part of that. Can we just talk about the nonLatino force? I mean, you talked about sampling, helping that business. But, is there a thought of begin to push to promote the nutrition clubs to that segment of the U.S. distributor force?

Greg Probert - *HERBALIFE LTD - President, COO*

Right. This is Greg.

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Rommel Dionisio - *Wedbush Morgan Securities, Inc. - Analyst*

Hi, Greg.

Greg Probert - *HERBALIFE LTD - President, COO*

A couple of answers to that question. There is a lot of focus on the Anglo business as well as Latino. As the Latino, it's about 39, 40% of our business. Couple of things, couple of issue in there, one is the weight loss challenge, so a lot of our distributors are doing something we're basically think of the biggest loser on T.V. It's really where they are challenging and coming together in groups and mentoring and coaching and encouraging each other to lose weight and coming together again in a social environment. So, it's different in execution from the initial because it has a lot of the same benefits. We have attempted to community, we have mentoring, we have product results. That's one of the things we're seeing. As I said in my prepared comments, we're looking at penetrating the college segment and really trying to recruit and bring new and younger customers and younger distributors into the business. We have launched a generation age initiative a few years back in the U.S. where we had brought in distributors under 30. Now we're going down a little lower actually on the colleges.

We think it's a great opportunity in college. We think it's also a great part-time business opportunity or some money making in college. We figure if we can get people onto the product in college, you know, they can become Herbalife for life product users. We have clubs emerging in the Anglo segment. The central club, as well as in-home nutrition clubs. So, we have Kansas City. We have one of our distributor leaders is very, very successful at building Anglo clubs. So I think if you look at a lot of the things that are working in Latino business are moving over into the Anglo business and we expect those to start taking root. It will take a little bit of time. So, you know, we take a couple of quarters to see that. Again, as I said the sampling D.M.O. is very vibrant and again getting more and more people onto the products and make sure we have customer retention.

Rommel Dionisio - *Wedbush Morgan Securities, Inc. - Analyst*

Thank Greg and congratulations on the quarter, by the way. Good performance again.

Greg Probert - *HERBALIFE LTD - President, COO*

Thank you.

Operator

Our next question comes from Karen Howland.

Karen Howland - *Lehman Brothers - Analyst*

Good morning. Thanks for taking my call. Looking at the volumes that have been in the European region Middle East and Africa, I noticed on a two-year basis they have continued to decline. I was wondering what sort of initiatives you have in place to there to reverse that trend?

Greg Probert - *HERBALIFE LTD - President, COO*

I think there's a couple of things. You know, as (inaudible) it's a big big market and we try and break it down into what's happening at a market level. I think we have some very strong successes if you look at the Italys and Russia's sponsored that actually sound a pretty good growth, it's up 17%. We believe in Eastern Europe that we have a chance Eastern Central Europe as well as Russia.

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We have a chance to grow. That's one of the markets I think we have underpenetrated and frankly underperformed in the past. As we announced a couple of weeks ago, we just brought on a new executive to run our central and eastern Europe business which includes Poland and Czech Republic and a few other markets. So I think that's happening.

You see some of the D.M.O's going into Europe, have worked in other parts, specifically the sampling D.M.O., our biggest check in Spain, our biggest check in France are actually using that D.M.O. now. So, again we're seeing that D.M.O. move its way through Europe. Obviously, the nutrition clubs and central clubs are moving in and the wellness evaluation and wellness coaching, which actually started in France is now moving throughout Europe. I think Europe has a few markets that are down but a lot of markets that are very strong. And, so we think that, you know, the needle will start to turn. It has turned the corner, will start to increase. Again, will take a couple of quarters but, I think we're very confident and cautiously optimistic.

Karen Howland - *Lehman Brothers - Analyst*

And the initiatives you're talking about the nutrition clubs, wellness coaching, that have been run throughout. Is this something that's been gaining traction across the last quarter or is it something we've seen --

Greg Probert - *HERBALIFE LTD - President, COO*

Yes, I think the wellness is probably a little further along. I think, nutrition clubs and really emergency. Again, it is like -- nutrition club. You have to be cultured and have to be adjusted for the particular market. So, you saw in that typically in the central club in South America and U.S. Both in-home and clubs and central clubs and now commercial clubs. You know, that's starting to gain some traction. But, I think, you know, it's still, you know, several years away. If you remember, the nutrition clubs took many many years to get traction in Mexico. I think one another concept that emerging in Russia under our leadership there is really the breakfast club. And that's again an iteration of the nutrition club concept for Mexico that's been a culture and adapted for that market. And, we think that's one of the reasons that our Russian market is up 17%.

Karen Howland - *Lehman Brothers - Analyst*

Thanks for that color. And, then I think it's probably is an obvious question but that stock with the current level, what is that. Are you guys are the pacifiers of the reassurance of buyback?

Greg Probert - *HERBALIFE LTD - President, COO*

Yes. We're precluded from being in the market for at least in a couple days. And, after that, you know we'll just continue to monitor the performance and, you know, we would agree with you.

Karen Howland - *Lehman Brothers - Analyst*

Thanks so much.

Operator

Our next question comes from Christopher Ferrara.

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Chris Ferrara - Merrill Lynch - Analyst

Hi. Guys. I just wanted to followup on the buyback questioning. Can you talk about what the tax consequences if any there are associated with really, I mean, really pushing the authorization and the buyback given what's happened to the shares and if there are any? Is that part of the consideration? And are you guys, you know, meeting with the board to discuss these things any time soon.

Greg Probert - HERBALIFE LTD - President, COO

Well, Chris, we have a little over \$250 million in additional authority or capacity if you will on our buyback, so I don't think we have anything that governs us in the near term, and we'll monitor the situation closely. This is a business that generates a tremendous amount of free cash. We don't believe that the buyback over the next year would have any adverse impact that we're aware on our effective tax rate and, you know, again, we're looking at the stock right now. We're disappointed at where it is. We think on a value basis, the stock should be significantly higher, and it provides a great opportunity for us and others to take advantage of where the stock is.

Chris Ferrara - Merrill Lynch - Analyst

I just want to ask, I guess one of the big fears in the marketplace today like no big surprise is the SEC-related voluntary document request. Obviously, as you guys said, that hits on traditional MLM concerns, and I think I guess investor's worst fears are that there's some systemic issue with your model right? We're distributors. We make an initial buy-in, never use the products, put them in their garage, you know, then recruit a team of downlines that basically do the same thing only to just generate commissions on the initial buy-in. So, can you just address the concern that there are garages around the world filled with unused Herbalife product, understanding of course you don't have complete clarity but even anecdotes that help people get past that, you know, would be great.

Greg Probert - HERBALIFE LTD - President, COO

So Chris, let me just start with this first. There was another in one of our peer group - peer companies had a similar issue back in the first and second quarter, and it was the same routine, the same investigator and followed by an SEC inquiry. So, I think that that seems like to be just, you know, what happened. These models have stood the test of times by the review by attorney generals. We here - I think you've been here. You've actually walked through some of our ethical business practice group and our distributor relations group. We have what we believe are the leading controls in place that ensure that we operate at the highest level of whether it's a law or regulation, and we have a very strong oversight group that ensures that distributors comply with that.

Michael Johnson - HERBALIFE LTD - Chairman, CEO

Let me jump in on that, as far as product and garages, our fastest-growing D.M.O. is nutrition clubs that is daily consumption in retail of this product. We see our -- you know, it fired Mexico for three years. It's now starting to fire other marketplaces. That is not -- there's no garages -- the garage is the nutrition club in -- throughout the world. So, you have that. If we have places or if there are, you know, excess inventory moments, we have the ability to buy that product back. The distributor has the ability to return that product, so there's no need for a garage to fill up anywhere. If somebody has come into this business and decided that this is not for them or they've been, you know, at a meeting and got excited by the moment and then all of a sudden, you know, they get home and there's whatever -- a disagreement on business direction in the household, they have the opportunity for buybacks. Our buybacks are 1% in this company.

As the way the inventory flows and moves throughout, you know, the world, we are pretty confident that this is not a plan that takes place as the one you express where it's just recruiting on top of recruiting. We constantly and constantly go after any type

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of, you know, situation where that could incur. We don't see many of them, but we also foster through the sampling program smaller packages of sampling. Try the product first. See if it's something you're comfortable with before you make a larger investment in it. See if this is a business opportunity that you're comfortable with that you can do. Get on the products, get your own personal success story. These are all things that you become a successful Herbalife distributor with is your own personal testimonial. Our -- frankly, our best and strongest advocates of this company are people who have lost weight on a product or who've reached a healthier, more active lifestyle and become testimonials for the product themselves. So, you know, this is, again, are there problems? You bet. Are there strong opportunities in this company? They're much bigger than any problems that we have.

Chris Ferrara - Merrill Lynch - Analyst

Thanks a lot, guys.

Operator

Our next question comes from Scott Van Winkle.

Scott Van Winkle - Canaccord Adams - Analyst

Hi, gentleman. A couple of questions. You know, first, on Michael's comments about segmenting those 1.3 million distributors, that was from your analysis based on volume of those distributors. What happens when you ask the leadership where you do survey work? Do you find the same type of segmentation of, you know, how you will classified distributors?

Greg Probert - HERBALIFE LTD - President, COO

Yes Scott. It's Greg. Yes, we do. Directionally, we hear the same thing, so anecdotally, it supports, you know, what we've sort of quantified internally, and you know, it makes really common sense. If you're coming in to the business as a customer and you join up as a distributor, that entry price point is roughly \$50 to come in and you get a 25 -- at least a 25% discount and you're buying a couple of hundred dollars a month to get on the shape works program for example. You know, the payback of that entry fee is on your product discount is, you know, a couple of months. It's actually one month. So, under that model, it just makes a lot more sense to sign up as what we call a discount buyer, and that's probably a million of that 1.7 million distributors are actually discount buyers.

The good news is, you know, that by becoming distributor, they also have the ability to buy directly from the company, in addition to getting that discount. So, that's new information we haven't broken out for you before, but we think it's important to understand that they're not in this for the business opportunity, they're in it for the product and their entry cost is minimal.

Scott Van Winkle - Canaccord Adams - Analyst

Is there a difference between those three segments in turnover rates? The discount buyer may stay on a little longer where you know a -- maybe a future supervisor decides he's not going to make it and jumps off the program faster?

Greg Probert - HERBALIFE LTD - President, COO

Yes, Scott. We don't track that. One of the things that, you know, we hope to do in the future when we get our systems, you know, Oracle rolled out in some of our biz works 2.0 is to be able to really penetrate that database and (inaudible) and do some C.R.M on those. Right now, we do not track that. We only track retention for the supervisors as we said in (inaudible) comments

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about 419,000 supervisors at the 1.7 million and our retention rate, you know, is 40-43%. So, you know, those people once they get to supervisor, you know, stay in the business and, you know, pretty good average earnings and again, that's one of the things we look at the turnover rate so that 1 million customers, is they tend to come in and out of the business. You know, they'll come in and get their product results go out and come back in and in the future we hope to do a better job today than minding that segment.

Scott Van Winkle - *Canaccord Adams - Analyst*

And second question was around nutrition clubs. Are there any different rules in place for a commercial club versus a traditional nutrition club. You know, given the fact that it is probably higher volumes and higher, you know, infrastructure investment on the part of the distributor?

Greg Probert - *HERBALIFE LTD - President, COO*

Yes. We have fairly extensive rules and manuals on all the club types so as they evolve, we adapted and, you know, for instance, you know one of the things with in-home clubs is we called the good neighbor policy. Is that, you know, if you are doing this in your home, you know, don't have too bigger club that you are opening a larger club, do it more on the central club or commercial club and we want to make sure that all of our distributors are compliant with local, you know, laws and regulations. So we spent a lot of time doing that and a lot of time with the leadership making sure that they are training those rules and regulations. They are downline. And we really are very proactive to make sure that we don't have the issue in Mexico where we grow so fast,, that those rules and regulations and just good business practices were not passed down fast enough. We want to make sure to proactively address that in other markets.

As we said earlier, you know, in Mexico, we do go out and perform, you know, audits of the nutrition clubs and, you know, really with the goal of making sure that the training is taking place. So, the leadership are responsible for training. If you remember one of the things as they gone out and trained and so far all their clubs and sign a certificate to us. Then we go out on a random basis. We make sure that they're actually doing that. And again, it's less about, you know, finding someone doing something wrong than it is about training them to be compliant.

Scott Van Winkle - *Canaccord Adams - Analyst*

Thank you.

Operator

Once again, ladies and gentlemen, if you have a question or comment at this time, please press the one key on your Touch-Tone telephone. There are no further questions at this time. There are no further questions at this time.

Greg Probert - *HERBALIFE LTD - President, COO*

Okay. First of all, we'd like to thank everybody for participating today. Kind of an interesting summary we looked at, which was it took 16 years for this company to get to a billion in retail sales. That's retail sales. We're not talking net sales. Eight years to get to 2 billion and 2 years to get to 3 billion. The distributors, the employees who really, you know, make up tell Herbalife. Greg and I are really excite about the future of our company. You heard about these D.M.O.s, things that are growing and people responding frankly to this global weight loss dilemma. The growth potential of the refreshes and shareholders will continue to grow in this country. I hope to see many of you on neb 28 at our investor day. We'll take you through our nutrition club. You'll have a chance to visit. We are excited including a science lab and distributor call center. You'll get to hear more insight shared by the company. We'll highlight more on our key initiatives for 2008 and have our research and development team to give you

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more insight into our products. I hope you all have a blessed and wonderful Thanksgiving. Thank you for participating in our call today.

Operator

Ladies and gentlemen, you may now disconnect.

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