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PRESENTATION

Operator

Good morning, and thank you for joining the fourth quarter 2008 earnings conference call for Herbalife Ltd.. On the call today is Michael Johnson, the Company's Chairman and CEO, Des Walsh, Executive Vice President, 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 to read the Company's safe harbor language.

Brett Chapman - *Herbalife Ltd. - General Counsel*

Thank you. Before we begin, and as a reminder, during this conference call, comments may be made that include some forward-looking statements. These statements involve risk 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 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 and have been prepared in accordance with US generally accepted accounting principals 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 comparing period to period results of operations in a more meaningful and consistent manner. Please refer to the Investor Relations section of our Website, www.herbalife.com, to find our fourth quarter press release containing a reconciliation of these measures. I'll now turn it over to Michael.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Thanks, Brett. Good morning. Welcome to our fourth quarter earnings call, everyone. I just finished by Herbalife shake, doing this morning what millions of people around the world do every single day, and what millions more will be doing, I'm confident, in the future. Today, I want to address three areas with you. Our record financial and distributor performance in 2008, our fourth quarter results, and most importantly, what we're doing in 2009 to improve our business at every single level, including invigorating distributor activity in order to excelerate our growth in our top markets, improving our margins, and maintaining a pristine balance sheet, one of our greatest assets.

First, let me address our record year. As you know, volume points reached $2.8 billion, up 3% over last year. Net sales of $2.4 billion, which is an increase of 10%. We had an adjusted operating income of $339 million, a 7% increase. Our adjusted net income of $232 million is an increase of 18%. Our EPS of 353 is an increase of 30%, and we generated free cash flow of $166 million. I think those are pretty good numbers. A lot of companies would love to have them.

This year, we invested over $100 million in capital, our largest investment year in our Company's history. We did this to provide expanded support globally to our distributors through the rollout of Oracle, new and expanded facilities and enhanced technology tools to improve distributor productivity. Our net debt of $201 million has been used to finance our share repurchase program. Since inception of this plan, we have repurchased $503 million in stock, representing a repurchase of 18% of the shares that were outstanding at the time the plan was announced. Additionally, we have paid $92 million in dividends since the inception of our dividend program. Together, we have returned almost $600 million to investors over the past 18 months. Our dividend represents a 5% yield, which is approximately 22% and 31% of our 2008 net income and free cash flow. Let me repeat that. Our dividend of 5% yield is 22% and 31% of our 2008 net income and free cash flow. As you read in our press release last Friday, we have maintained our quarterly dividend at $0.20 per share.

We are an enviable position today, that our business generates significant free cash and we do not need access to the public credit markets. We are not likely to be directly affected by the global credit crisis as our revolver and term loans are not due until 2012 and 2013, respectively. Our financial position remains strong, and our balance sheet is pristine and conservatively leveraged with a net debt to EBITDA ratio of approximately 0.5. Two great attributes to have during these unprecedented and uncertain economic times.

Our record financial performance during 2008 was a result of the work and achievements by our distributors. At year end, we had 1.9 million distributors, an increase of 15%. We had 505,000 supervisors, an increase of 7%. We added 111 new Price Team members, an increase of 10%. We added our first brand investor in China, the highest level in the China marketing plan. And, we also added four new Chairman's Club members, an increase of 13% to our prestigious Chairman's Club group. We held a record eight Extravaganzas during 2008, and continue the rollout of our science based nutrition products worldwide. We also launched our digestive health line in the US with new two products, Herbal Aloe Powder and Active Fiber Complex. And, we launched new flavors of Liftoff in the US, and H3O Pro, our isotonic sports drink in Europe.

Secondly, fourth quarter results. As we progressed throughout the year, the economy here and abroad continued to weaken, including unprecedented FX volatility during the last five months of 2008. The global economic headwinds, coupled with market specific issues in certain of our top markets, slowed our momentum from earlier in the year and resulted in a soft finish for the year. In the fourth quarter, we had sales of $513 million and adjusted EPS of $0.69. Throughout the quarter, we saw volume trends weakening and we were impacted by unfavorable currency fluctuations. We took proactive steps to help mitigate the effect to the bottom line by eliminating certain spending and deferring some investments, as well as implementing a restructuring plan which we began to develop in early August. We anticipate that these actions will save us in excess of $40 million in 2009.

Volume points in the fourth quarter were down 9% compared to 2007. However, reflecting the geographic diversification of our market, we experienced growth in seven of our top ten markets, demonstrating that our business can successfully weather these tough economic times as long as our distributors remain confident, engaged, and recruit new distributors into the business, and implement business models that focus on daily consumption, and use methods which lower the cost of entry to join Herbalife, such as our Success Builder Program.

The primary reason for our year-over-year softness during the quarter was volume decline we experienced in three of our top markets, here in the USA, Mexico, and Venezuela, which were down 4%, 23%, and 57%, respectively. While Des will provide additional details about our key markets, I want to comment specifically on the USA and Mexico, as we believe strongly that these markets will return to growth in 2009.

In the USA, our year-over-year volume decline primarily reflects a 3% decline in the Latino market during the fourth quarter. We believe this was primarily attributable to current economic conditions. Whether is was shifting their discretionary spending towards holiday shopping, or sitting on their wallets due to fear of the worsening economy, spending in this important segment of the US business was down in the quarter, yet activity was up.

Activity by our Latino distributors remained strong as the number of supervisors ordering was up 12%, while the average size of the order was down 13%. We remain optimistic this segment will return to growth in 2009 as the Latino business experienced sequential year-over-year volume growth in January, up 10%, after being down 7% in December, and it met our internal expectations.

We believe the excitement and the activation of distributors in the market following a seven city tour of Why Herbalife, Why Now, helped our January results. During this tour, we focused our distributor training on learning about Herbalife's business opportunities, especially ways in which to lower the price of access to the Company, our innovative science based products that have an attractive price point, and the ongoing conversion to daily consumption business formats.

In Mexico, our positive momentum that we experienced in the first half of 2008, peaked with a positive year-over-year volume growth of 2% in the second quarter. This was disrupted in August 2008 by the introduction of a 15% VAT, which is impacting approximately 58% of our volume. Along with general economic softness which includes a 4.2% decline in remittances across the boarder between the US and Mexico during the first eight months of 2008, we believe the deepest declines in Mexico are now behind us as January's year-over-year volume decline of 17%, which met our internal expectations, showed sequential improvement for Mexico's fourth quarter volume declines.

To help stimulate distributor excitement and engagement, throughout January we held a President's Tour that visited 15 cities, and had in excess of 17,000 distributors in attendance. We believe this market will return to growth after we anniversary the VAT implementation in August 2009, given these first quarter initiatives, some of which Des will explain later, coupled with the on target performance and the sequential improvement in January. As we outlined to you at our Analysts' Day in December, we are committed to moving our business towards daily consumption. We win as a Company when our distributors have a great balance of the three Rs, recruiting, retailing, and retention. We support daily methods of operation that allow our distributors to focus on attracting customers based on daily consumption. Examples are many, such as nutrition clubs, wellness evaluation, weight loss challenges, and healthy breakfasts, just to name a few. These DMOs provide an optimum balance of the three Rs, and their success is visible in key markets that have completed their transition. Markets like Taiwan and Korea, which were up 16% and 37%, respectively, in terms of volume during the fourth quarter.

As distributors begin to implement these daily consumption models, we sometimes experience a temporary slowdown in volume as the market changes and adjusts. This was visible in Brazil which had a volume increase in 2008 of 9%, after being down 13% in 2007. We are encouraging our distributors to adopt additional daily consumption DMOs. As an example, we have sponsored trips for our European distributors to visit nutrition clubs in Texas, and for our Asian distributors to visit nutrition clubs in Korea and Taiwan. We are also including daily consumption training at all of our events and meetings, and will celebrate the success of many of our distributors who are leading this transformation at our Honors Event, right here in Los Angeles in just a few weeks.

Looking forward to 2009, while we are pleased with the record results achieved in '08, and we want to thank our distributors and employees for their great efforts, the volume points and results in the fourth quarter are not acceptable. And as a result, our top priority in 2009 is acceleration of volume growth in all of our top markets. This will be accomplished through active distributors sharing their stories and great ideas, increasing their efforts to recruit new people into the business while implementing business models which provide a more balanced approach to the three Rs, coupled with a passion and ongoing support of our employees and distributors.

As we have said over the past six months, the current global economic troubles provide both risk and opportunity for our Company. We are seeing economies slowing, and unemployment rising. In the USA, the January unemployment rate of 7.6% is up from 4.9% one year ago. In fact, some economists are projecting the unemployment rate to peak as high as 11% by year end. In the Eurozone, unemployment is estimated to increase to 9% to 10% in 2009, from 7.5% in 2008. In Mexico, experts believe the economy will contract by 1.8%, and the pace of recovery in 2010 will be limited by external factors, slowing the recovery of unemployment in investment. For many companies, this type of news means major retrenchment, or even, insolvency, but for us, it signals opportunity.

Our historical performance during recent economic downturns suggests that we can successfully weather this period. For example, from 2001 to 2003, we produced top line compounded annual growth of 7% and a volume point compounded annual growth rate of 4%. Our distributors have the opportunity to turn this economic uncertainty into personal opportunity because our product offering places us at the unique intersection of health and wealth. We offer products that help address the global obesity epidemic. According to the World Health Organization, more than 1 billion adults are overweight, and at least 300 million of them are clinically obese. We offer a healthy, low calorie meal for around $2, certainly, a much healthier and lower cost alternative than most fast-food options. We continue to believe that this price point allows people to trade down economically and trade up new nutritionally for a healthy breakfast or lunch, and have an Herbalife shake or visit a nutrition club.

In addition, our business opportunity offers people the chance to earn part-time and full-time income during one of the most troubling economic times in recent history. In fact, in history period. Over the past twenty-nine years, many of our distributor leaders created ways to prosper in periods of weak economic times, and we are working closely with them as they strive to repeat their past successes. Be your own boss and you never lay yourself off are powerful messages from our distributors, as other companies downsize their workforce.

While we are just seven weeks into the new year, we are seeing data that is encouraging. Our worldwide retention rate was 40.3%, essentially flat with last year, excluding Venezuela, which had low retention rates due to specific market issues. Given the effects of the weakening global economic environment, our flat retention rate is an encouraging long-term indicator of the health of our business as more supervisors requalified than any time in history. This data is also validation that our strategies are working, encouraging and nurturing the global expansion of business models that focus on daily consumption. Through the first seven weeks of the year, volume points are showing sequential improvement from their fourth quarter softness, tracking down mid single digits versus the same period in 2008, and are essentially on budget.

While we are starting the year with some encouraging news, we remain cautious for 2009. We have had tough comps starting the second quarter, and our growth plan is back-end loaded, reflecting the various market transitions to daily consumption, the implementation of Phase II in China, anticipated improvements in the US and Mexico, along with the opening of five new markets in the fourth quarter. The worsening global economic situation also gives us reason to be cautious with our volume projections this early in the year. Therefore, we have taken a more conservative outlook on volume growth for 2009. In addition, during these unprecedented times in the credit markets, it makes sense for us to be prudent with our excess cash, focusing our investments on driving growth in the top line, improving margins of our business.

We don't have to repay our credit facilities until 2012 and 2012, however, until we see an improvement in these markets we anticipate shifting our attention from buying back stock to building cash, which should provide us the ongoing flexibility to invest in high ROI initiatives or pay off our debt when it matures. For these reasons. we have adjusted our EPS guidance range for the full year, down by 10% from the previous guidance we provided back in December.

During the fourth quarter, we took measures to improve our expense structure in order to operate more efficiently in this challenging economic environment, and we have moved quickly to address our Company specific issues in certain key markets, such as Mexico and the USA. In addition, we continue to identify and implement more cost saving initiatives beyond the $42 million restructuring plan we announced in December. To date, we have identified additional savings, primarily within our supply chain, which will help mitigate the financial impact from the conservative volume assumptions I just mentioned.

From a product standpoint, we believe that we have the best nutrition products at competitive price points. To provide product substantiation and confidence beyond positive testimonials that we hear every day from our distributors, we will continue to invest in clinical studies to validate the efficacy of our products and the success of our programs.

During the past several months, two clinical studies using our Formula 1 nutritional shake mix were published. One conducted at UCLA using the US version of Formula 1, and one conducted at the University of Ulm in Germany, using our European version of Formula 1. The study conducted at UCLA demonstrated it as a part of a healthy, active lifestyle, a Formula 1 shake, every day, is an effective way to manage weight, and that personalizing your shake with our personalized protein powder helps promote loss of body fat. The results of this study were published in the August 2008 edition of the Nutrition Journal.

The study conducted at the University of Ulm, in Germany, by Dr. Miriam Fletcher Morris, a member of our Nutrition Advisory Board, showed that drinking two Formula 1 shakes as a meal replacement is a more effective way to manage weight than a conventional food diet. Additionally, weight loss achieved with higher protein intake lead to improvements in certain health issues that are associated with being overweight. These results were presented in October 2008 at the annual meeting of the Obesity Society in Phoenix, Arizona.. In addition, we have ongoing studies around the world that focus on meal replacement and weight loss, satiety and weight loss, and Garden 7 anti-oxidant potency.

We will continue, and continually work to strengthen our product portfolio using science based ingredients. During 2009, we anticipate introducing several new products that fit into our weight management category, and will continue to globalize our other successful products. We plan to upgrade 13 of our top-selling products to incorporate more efficacious formulas based on current scientific knowledge in our weight management and targeted nutrition lines. Our Nutrition Advisory Board members will continue to train our distributors and help them communicate the scientifically proven features and benefits of our products to their customers.

In addition, we are working to improve our packaging and serving sizes in order to support the daily consumption model. We are looking to provide large pouch-serving sizes for the nutrition clubs in the US, along with individual packaging for sale as take-away products in nutrition clubs in markets which require affordable daily servings. Over the past few years, we have significantly increased our spending in support for our brand and image. We've made large investments in our brand, such as the LA Galaxy, the AYSO, the Tour of California sponsorships here in the US, along with numerous investments in many of our 70 markets worldwide. At the Tour of California, we launched a new interactive sampling mobile unit that allows our distributors to sample Formula 1 shakes to spectators, take body composition tests, play fitness video games along the Tour route, and just last Saturday, we sampled over 10,000 shakes at the Rose Bowl. The mobile unit will travel to other Company sponsored events throughout the country.

We expect to maintain our investments and help our distributors increase their investments in their local markets through distributor marketing funds. A great example of this is the announced sponsorship for the Italian football club, Inter, based in Milan. Statistics show that approximately 40 million people in Italy are fans, with 23 million people watching a live game or TV highlight, every week.

Herbalife is a fantastic business. Over the last 29 years, our independent distributors have successfully weathered several economic downturns, and they have taken advantage of it, and they have the confidence in their ability to use these challenging times to, once again, expand and strengthen their businesses. We believe our business is well positioned to take advantage of this uncertainty because we offer a independent business opportunity to thousands of people who have lost their jobs, along with a healthy, low calorie meal at an attractive price to help people address the obesity epidemic that plagues the world.

Success will not come from sitting back and waiting. It will come from taking positive, proactive steps. We will continue, and do continue, to work closely with our distributors to help them be even more successful in 2009, driving top line growth while we work diligently to improve operating margins. Now let me turn it over to Des, who will discuss volume and provide an in-depth update on some of our key markets. Des is fresh from a trip in Mexico. He is a little jet lagged, but, go get them, Des.

Des Walsh - *Herbalife Ltd. - EVP*

I got back late last night. Hello, everyone. Thank you, Michael. Let me also begin by congratulating our distributors and employees on a record setting year in 2008. Now, let's look at key business trends in many markets including the US, Mexico, China, South America, Taiwan, and Korea, and share with you our actions to accelerate growth in these markets.

After tremendous growth in the first three quarters of the year, results from the US during the fourth quarter were below expectations as net sales were flat year-over-year. The US remains our largest market and we were negatively impacted by weak economic use which was prevalent in the media during this period. The results in the USA were primarily driven by a 3% volume decline in the Latino market. However, the activity by our distributors within this segment remain strong, as the number of supervisors ordering was up 12%, while the average size of the order was down 13%. As Michael highlighted, we believe the weak economic conditions kept consumers sitting on their wallets, which lead to fewer club visitings and less retail product sales. However, fourth quarter volume points for the top 25 metro areas in the US were up 5%, year-over-year, compared to a 15% decline from the remaining US markets. The top 25 metro areas for the Latino market experienced volume point growth of 6% versus a year ago, while the general markets, top 25 metro areas, experienced a year-over-year volume point growth of 10%. So as you can see, we are beginning to see growth in our largest US markets, which is encouraging, and we'll use this success to demonstrate to our distributors, that people are having success despite all of the negative headlines and poor economy. This data is proof that we can weather this economic storm better than most companies.

For the first seven weeks of this year, volume point trends in the US are running significantly ahead of our fourth quarter decline, and we would anticipate flat volume point growth during the first quarter. In January, the Company sponsored a Why Herbalife, Why Now tour, featuring our CEO. The tour visited seven cities in 12 days, and was attended by more than 13,000 people, including many new perspective distributors. The tour included many current accomplished distributors telling their story of how they started their distributorships during tough economic times, and why those conditions helped propel them to success. I believe the tour was extremely successful, and will provide and can provide a catalyst for increased momentum.

Now on to Mexico, our number two market. Net sales in Mexico during the fourth quarter were negatively impacted by unfavorable currency fluctuations. Volume declined 23%, while reported net sales decreased 31%. We believe the decline in volume in Mexico is attributable to a general economic slowdown that has negatively impacted the amount of US dollars flowing back into Mexico, and a 15% VAT that we began collecting in the third quarter. The VAT that was implemented, affected at the time, approximately 60% of our volume. As a result of the VAT, we are seeing a shift in distributor product purchases to the products that are non-VATable. Accordingly, the VAT impacted only 55% of our fourth quarter volume. Additionally, we are developing new product formulations that we believe are not subject to VAT, and will allow further shift to non-VATable volume. We're also encouraged by the renewed level of commitment being demonstrated by our distributor leadership.

During January, we hosted a President's Tour that visited 15 cities throughout Mexico, and had in excess of 17,000 distributors and guests in attend dance. In February, as we speak, and the event which I just returned from, we are hosting a Future President's Team meeting, and in March we'll be hosting a four city CEO tour, featuring Michael, similar to what he did in the US in January, that will be focused on recruiting. Distributors will only be able to attend this event if they bring guests. We anticipate 20,000 distributors and potential distributors in attendance. In January, our volume decline was 17%, which reflects a sequential improvement from the fourth quarter decline of 23%, and a peak monthly decline of 30% in November 2008. We remain optimistic that Mexico will return to growth in August 2009, after we anniversary the VAT implementation.

Now on to China, our number four market in terms of net sales. During the quarter, China reported fourth quarter net sales growth of 61%. In local currency growth, net sales were up 49%. As we highlighted during our investor day, China is moving in to Phase II of its growth cycle. We are excited as China begins to implement nutrition clubs through our new Sole Proprietor Program, which we believe will allow us to expand more rapidly as these clubs will be able to operate in non-licensed provinces. Additionally in China, during the quarter we applied for five additional direct selling licenses from the Chinese government. While it's difficult to know the timing on these approvals, based on past experience, we hope to receive these additional licenses during 2009.

In South America, the region's sales growth continued to show sequential declines during the fourth quarter, reflecting a slowdown in most markets in terms of volume, coupled with FX headwinds. In Brazil, volume point growth increased 13% year-over-year during the fourth quarter, and excluding significant unfavorable currency fluctuations, net sales increased 15% during the quarter. We believe the continued positive growth, excluding FX fluctuations, reflects a turn around for Brazil, and provides validation of the successful transformation for this market using the daily consumption model. Among those distributors who have been using the nutrition club DMO for more than a year, volume points were up 29% year-to-date. The strong adoption of nutrition clubs has been one of the factors in Brazil's retention rate, improving 920 basis points to 38.8%.

In Venezuela, the South America region's number two market, we face a unique situation because of the country's political and economic situation, currency restriction, and extremely high inflationary rates. To help address these issues and keep pace with rising costs, we raised prices approximately 50% during the first half of 2008. Additionally, the volatility of the parallel exchange rate, as compared to the official rate, has created a difficult business environment for distributors residing outside of Venezuela, but selling within that country. These two factors have resulted in weak volume trends in the second half of the year, and a 57% decline in volume points during the fourth quarter. We continue to work with local distributor leadership to mitigate the emotional impact of the local economic issues, while we focus our efforts on identifying investments and sales initiatives that will help increase recruiting and provide better service to our distributors. As Michael mentioned, retention was significantly below year-ago levels, declining 29.6% to 27.5%, which is common when a market grows by triple digits the preceding near.

Argentina, and Peru both had net sales declines, volume point declines, and decreases in new supervisors during the quarter. These countries are beginning the process of developing and implementing the daily consumption DMO of nutrition clubs. Similar to the transition that took place in Brazil over the past two years, we believe that once complete, this transition will lead to a better balance of recruiting, retailing, and retention in these key markets.

South America just finished hosting two Extravaganzas, one in Santiago, Chile, and the other in Bogota, Columbia. In total, over 16,000 distributors were in attendance, and enthusiasm was high. We are seeing improved acceptance of the nutrition club concept in South America, now that Brazil has proven the success of the model. In South America, we have trained four new corporate nutrition club coordinators and received support from a top distributor leadership in several markets to continue the adoption of the club concept during 2009. In addition, after a period of strong growth, followed by a six month retrenchment, all signs point to our distributor leadership being re-engaged in driving growth in 2009.

Now, I want to close with a new comments on Taiwan and Korea. As we highlighted at our Analysts' Day, growth in Taiwan is being driven by the expansion of nutrition clubs. Taiwan currently operates in excess of 900 nutrition clubs, and the clubs have contributed greatly to the growth and stability in the market. Since the introduction of nutrition blubs, volume point per capita ratio for this market has increased to 6.7 from 4.7, an increase of 43%. During the quarter, Taiwan achieved 16% year-over-year volume point growth. We are delighted to report that in Korea, we now have in excess of 900 nutrition clubs with over 700 of these clubs opened in just the last year. We believe that these clubs are a significant factor in Korea's 37% year-over-year volume point growth for the quarter. Based on these successes, other distributors throughout Asia are now embracing the nutrition club model, and we believe this will help accelerate the adoption of the daily consumption business method company-wide. The acceleration of nutrition clubs in Korea has positively impacted retention as this market showed a 380 basis point improvement to 34.3%.

In March, we'll be hosting our Herbalife Honors Event for our top leaders from around the world, and reflecting the high level of distributor engagement in the business, the number of distributors signed up to attend this event has reached record levels. We will focus on two key messages at this event. First, we will highlight the benefits and successes from adoption of a daily consumption model. We're going to highlight the success stories from Brazil, Taiwan, and Korea, and reinforce how a move towards daily consumption allows for a better base of business. In fact, we are seeing the evolution of our weight loss challenge DMO, which started in the US, and has recently launched its method in 17 of its 37 countries. We are seeing strong excitement and interest from our distributors, and this method is really just a more formalized extension of what many of our EMEA distributors were already doing.

Second, we will continue the Why Herbalife, Why Now theme? We continue to believe that there has never been a better time to be a part of Herbalife. Our great products provide a solution for the global obesity epidemic. In addition, we provide a business opportunity that offers people the chance to earn part-time and full-time income during one of the most uncertain economic times in recent history. Now, I'll turn it over to Rich for an update on the financials.

Rich Goudis - *Herbalife Ltd. - CFO*

Thanks, Des. Let me briefly walk you through the fourth quarter financial results, our initial 2009 first quarter guidance, and revised guidance for 2009. Then, we'll open up the call for your questions.

Net sales of $512.9 million in the fourth quarter were down 11.3%, versus the fourth quarter of 2007. FX had an unfavorable 856 basis point impact during the quarter, reflecting the fact that 80% of our sales are derived outside of the US. Last night, we posted historical performance for the new regional structure, we also filed our 10-K, which you can read online, and for the past four to eight years, we have shown our top ten markets in terms of net sales and volume points, local currencies, et cetera. All of this information can be found on our Website under the Investor Relations tab.

On a reported basis, gross profit in the fourth quarter was $416.8 million or 81.3% of net sales. This is an increase of 96 basis points, compared to the fourth quarter of 2007. The improved margin was primarily the result of foreign currency fluctuations. Royalty expense in the fourth quarter was $168.4 million, or 32.8% of sales, reflecting an improvement of 260 basis points, compared to last year, primarily due to the country mix, as China sales employee expense is recorded in SG&A. On a reported basis, fourth quarter SG&A of $187.6 million, or 36.6% of sales. Excluding restructuring expenses in both quarters, SG&A expense was $182.7 million, or 35.6% of sales, an increase of 627 basis points, versus a year ago. Then, adjusting for the China sales expense of $21.3 million in 2008, compared to the $11.5 million in '07, SG&A expense was $161 million, or 31.4% of sales, an increase of 411 basis points, versus last year.

After including these adjustments, the increases were primarily reflecting higher non-cash depreciation and amortization, reflecting our investments over the last couple of years, primarily in Oracle and additional facilities, related mostly to the development of our technology infrastructure, and the expansion and relocation to new facilities. Additionally, sales events were higher due to the timing of the North America Extravaganza, and promotion expense was also higher due to the 30th Anniversary Promotion which will occur next year in 2010.

On a reported basis, fourth quarter operating income was $60.9 million, or 11.9 % of sales, reflecting a decrease of 295 basis points, compared to last year. Fourth quarter interest expense was $2.9 million, versus $3.4 million in the fourth quarter of '07. The decrease primarily reflects higher average net debt balance as we used our excess cash and our credit facility to repurchase stock, which was more than offset by significantly lower interest rates. The blended interest rate on our debt for the fourth quarter of '08 was 3.75%, versus 6.38% for the fourth quarter of '07. I want to remind investors that we don't need our credit facilities to finance our day-to-day business, and our facilities don't expire until 2012, and 2013, respectively.

On a reported basis, our fourth quarter effective tax rate was 42%, compared to 34.6% a year ago. However, adjusting for certain items as described in our press release yesterday, the fourth quarter '08 effective tax rate was 31%, compared to 34.3% in the year ago period. Net income on a reported basis was $33.7 million in the quarter, compared to $53.8 million in the fourth quarter a year ago. Adjusting for certain items, net income was $43.4 million, versus $55.1 million a year ago. Fourth quarter 2008 reported diluted earnings per share was $0.53, as compared to $0.70 in 2007. Again, adjusting for certain items, fourth quarter diluted earnings per share was $0.69, versus $0.79 a year ago.

Now, let's turn to the balance sheet. We entered the fourth quarter with $158 in cash, and $351.6 million in outstanding debt. Our inventory increased $5.7 million from December 2007, primarily to support new products and new country openings. And in terms of efficiency, our inventory days on hand increased 38 days year-over-year, while inventory turnover decreased to 2.43 times from 3.22 times a year ago, reflecting the higher inventory levels and lower sales.

In the quarter, we invested $24.4 million in capital, primarily in technology investments such as Oracle, to support the improvements in distributor services. Over the past seven months, we successfully upgraded our existing Oracle applications, and went live with Oracle in Mexico, our Central America countries, and South America countries. In early January, went live with Oracle throughout our Asia-Pacific region, excluding China, and now have higher nearly 80% of our revenue transacted entirely on the Oracle platform. We anticipate going live with Oracle throughout our EMEA region in April 2009.

Now, let's move on to guidance. Given current business trends that Michael and Des just discussed, along with current FX rates, for the first quarter we expect diluted earnings per share to be in the range of $0.58 to $0.62, a volume point decline of 5% to 7%, and net sales declines of 15 to 17%, compared to the same periods in 2008, coupled with an effective tax rate in the range of 28% to 29%. Our first quarter 2009 capital expenditures are expected to be in the range of $15 million to $20 million, primarily as we conclude the Oracle rollout into EMEA.

For the full year, again based on current business trends and FX rates, coupled with a more cautious 2009 volume growth outlook as we discussed, a shift in our use of excess cash, expectations from buying back stock to accumulating cash for investment in higher ROI programs, are partially offset by further cost savings from within our supply chain organization. We are lowering our 2009 EPS guidance range by $0.10. Our new 2009 diluted earnings per share guidance is now in the range of $2.90 to $3.10 on volume point growth of plus or minus 1%, and net sales declines of 5% to 7%, compared to 2008, respectively, along with an effective tax rate in the range of 28% to 29% for the full year. Full year 2009 capital expenditures are expected to be in the range of $55 million to $60 million. This concludes our prepared remarks. I'll also introduce, Rob Levy, who has joined us to handle some of the Q&A today, as well. So, operator, at this time, we'll take questions from investors.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Our first question comes from Chris Ferrara.

Chris Ferrara - - *Analyst*

I just wanted to talk about the new supervisor levels. I understand you have some market specific things on with Venezuela and Mexico, but across the board, they are pretty much down in most regions in Q4 and have decelerated, and understanding this isn't a counter cyclical business, but can you talk about why you think, across the board, these levels have fallen so much, and what the implication might be?

Des Walsh - *Herbalife Ltd. - EVP*

Chris, hello. A number of things. Obviously, any time you have the number of headlines that are out there, it inevitably causes some distraction, and obviously, the basis of our business is based on two things. One is confidence and focus. So, whenever you have a situation that I think you inevitably have some impact on that, but here is what we're seeing today, and we have mentioned the fact that we did this seven city tour in the US, we just came back from two bit Extravaganzas in South America.

I've just come back from Mexico. Rob and I were there with our leaders, and what we're seeing from our leaders throughout the world is that now they have seen this happen, and now they are actually totally focused on this message that now is the time for Herbalife. We have gone out with a video and variety of tools, which all stress the same message, the Why Herbalife, Why Now message, and that's why we believe that this setback was temporary, and that now we're going to see those levels rebound around the world.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Chris, it's Mike. I would add a couple of other things. When you say we're down across the board in all of the regions, you got to look at a couple of market places once again that have really impacted us. Venezuela, which Des pointed out, we have three specific issues there, the government, we have some issues with our distributors in that marketplace, and everybody knows it, and we're straight up about it with our distributors, and we have ourselves, we have some operational issues down there. So, you couple that with Mexico, and then you carve those two out, our fourth quarter was down about 11%, little over 11%. So we're not proud of that.

We're not happy with that, but we see the shift taking place, and again, I definitely believe the economy is causing us problems in Mexico. I think it's causing us problems in the US, but I think we have a big shift taking place in our business from what I would call a recruiting only mentality to a recruiting and retailing mentality, and as that shift takes place in this daily consumption, the business fundamentals of this Company will get stronger. Now, that's will. And you guys are always concerned about when, which is fair, and I would be concerned about that too if I were sitting in your position.

But sitting in my position, as I look at it, and as we spent, as Des said, a lot of time in the market in the last five weeks. We have been in nine different cities in Latin America and in the US. We'll do five more or four more in Mexico in the next two weeks. We're going to see all of our top leadership here in the Herbalife Honors, and we will be putting up the winners, and that's what we do. And, Rob and Des just returned from Mexico. Mexico was the number one market in the United States two years ago. At Boca Raton, at this exact same meeting, we made a big, big deal about them being number one. They want to be number one again.

So, that kind of motivation with our distributors, that kind of motivation with seeing thousands of people stepping into these meetings, and in New York, we had 4100 people show up for a meeting on a lousy weather night in the Sheraton Hotel, downtown. Half of those people in the room were brand new to Herbalife, gigantic HOM. I see momentum there. I see opportunity there. I'm looking at the fourth quarter.

I'm looking at the fourth quarter, I'm disappointed as hell by it. And now I say, okay, I can't do anything about that. I can do everything about going forward, and this is what we're doing. We're hitting the road harder than ever. We're working with our distributors harder than ever. We're having more meetings. We're doing HOMs corporately, as well as with the distributors. Getting involved with them arm in arm, and we see more people, more faces, more opportunity. We see good trends starting in January for us, so that's where we're going forward.

Disappointed about the fourth quarter? You bet we are and we'll continue to monitor that very, very carefully. We'll cut costs, where necessary, if this trend continues, but we don't see it continuing right now.

Chris Ferrara - - *Analyst*

I guess, can you get a little more specific? I understand Why Herbalife, Why Now, and it makes sense. You're trying to get more people into the business, I guess. Again, understanding it is not counter cyclical, because you still have to get people to pay for products. Usually in a direct selling model, you'll get a higher level of recruitment, and not so much a higher activity level, which is what you're seeing.

So, one, why do you think you are seeing a higher activity level in the business? And two, can you talk about what you saw for new supervisor trends in January? And I understand Venezuela and Mexico, forget those. How about the US and EMEA? Have you seen those trends get better as you move into January?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

You have asked a lot of questions there. When you say get specific about it, what the specificities are is this business is run by getting people to meetings, introducing the opportunities to them at the simplest levels, getting them to understand the successful business models that are operating out there. You have levels of entry in this Company that are everything from a $2 shake to becoming a supervisor instantly for around $2,500, depending on where you are and what the cost are in that marketplace. You can sign up for a $49 IBP. So, when you say be specific, the specifics are we are getting our distributors to get more meeting out there, to take nutrition clubs and use them as a multi-functional facility, which is everything from serving shakes and bringing people and new members in, to a training facility, to a recruiting facility, to making sure they understand the activation of this business is a daily function, the activation of new distributors is absolutely daily, it's Tuesday, Thursday, Saturday meetings, it's using the product, it's wearing the brand, it's talking to people, it's the basics of this Company.

You know, again, I'm a little confused by the specific question, because that's dragging you through the absolute function of a distributor on a day-to-day basis. We're happy to do that. Better to do that offline. We'll do that any time you want, but that's a long and drawn out conversation. As concerning the trends on a global basis, worldwide in the fourth quarter, the number of supervisors ordering was flat. The average order was down 9%. The club model is retail sensitive. We understand that, better and better, as we go forward. As that model continues to prosper, we're going to have more, what I would call, fronts, out there. More places for people to go to join these clubs, to be members. More places for people to activate and become distributors.

That's a key part of this. Not only become a member of the club, to get their own success story in the club, and then they themselves become distributors. That is what's key to us. 40% of the sales in the US, are club driven, right now. Mexico and the US, 40% are club driven. Excuse me, not 40% in Mexico, but 40% in the US are club driven, and so what we have got to do is make sure that we are continuing to build this club model.

Des Walsh - *Herbalife Ltd. - EVP*

One thing, just to add to that as well, the thought we're hearing is that two things are happening out there in the field, and that is that the number of people who are showing up at HOMs has increased dramatically. So, over and over, what we're seeing is that an HOM, which might traditionally attracted 20 or 30 people, they are now attracting twice that number. The other thing that we're hearing is that the quality of people who are actually showing up at HOMs has significantly improved because essentially, what's happening is there are many people out there who fall into either of two categories.

They have either have lost their jobs or they are in fear of losing their jobs, and what that is driving them now is to look for opportunity, to look for actually to create an income, or gain a supplemental income, and we're seeing that, and that is what we're hearing from distributors, not just in the US, but in all of these markets that we're traveling to.

Chris Ferrara - - *Analyst*

I appreciate the color. Michael, what I was asking for specificity on was just numbers. Like in January, did you see the new supervisor trend up as opposed to where it was for the fourth quarter?

Rob Levy - *Herbalife Ltd. - SVP*

Let me jump in on that one.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Hey, Chris, I think we went as far as we want to go with giving you a look see into our first quarter performance. I think that you will have to draw that conclusion from our comments and our tone as it relates to the improving trend of volume point in both the US and Mexico that we shared with you.

Chris Ferrara - *- Analyst*

Great. I appreciate it. Thanks, guys.

Operator

Our next question comes from Tim Ramey.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Good morning. Just trying to connect dots here. I think you said that you expected flat volume for the first quarter, and maybe the year-over-year volume trends to go positive again in August? So, maybe implying flat or up volume for the fourth quarter. To do the math, I guess that says the middle two quarters are going to be down at least 10%, if you are down 5% volume is correct. Am I doing something wrong there, or, what am I doing?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

I don't understand. Can you repeat the question, please?

Rob Levy - *Herbalife Ltd. - SVP*

He thought August 2009 is global.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

No, that was just Mexico.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Oh, okay.

Rich Goudis - *Herbalife Ltd. - CFO*

We implemented the VAT in Mexico in August. Right? For the third quarter, Mexico was down 8%. You saw it was down 23% in the fourth quarter, and we saw the full impact of the VAT. So given what we're hearing from, again, Des and Michael being in the market in Mexico recently, we're hearing and we're seeing very positive trends. Mexico is down just 17%. Met our internal expectations, which is very important. January is a key month for requalification, as you know. So, we're cautious because we have so much of the year ahead of us. But right now, early on at least, these markets are hitting their internal expectations.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Okay. So the only real volume guidance you gave is 5% for the full year, but maybe flat for the 1Q?

Rich Goudis - *Herbalife Ltd. - CFO*

Maybe you misunderstood. I think for the full year, we said that volume is going to be plus or minus 1%, net sales are going to be down 5% to 7% because of FX. I don't think we gave any market specific full year volume guidance.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Okay. Great. And then, just on the Beckham question, is there any issue to an intangible cost there, or if he doesn't come back to LA, what does that mean?

Brett Chapman - *Herbalife Ltd. - General Counsel*

Yes, as we discussed last night with several folks, we're still uncertain about what is going to transpire, so we are in constant contact with AEG, but, the net-net is, it has just been a great partnership. We benefited tremendously. We have 800,000 jerseys walking around with Herbalife today. Hopefully, AEG will make the right decisions for their club and their franchise, and we'll continue to reap the benefit of that.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Yes, we have to remember also, we are sponsoring the Galaxy, and David Beckham is one player. He's a worldwide, renown player, there's no doubt about it. He gets a ton of press. He's out there almost every week in some magazine or another, he and his wife. That's good for us. That's good news. He is associated with our brand. We're proud of that. We're proud of what they do, but let's be also honest about the on field performance of that team is as important as anything that we have. And, we would love to see them get to the playoffs, win the championship.

We'll get a lot of notoriety for that, and with or without David Beckham, that is our key cause in that team. Is to see them succeed, to see them grow, to build their fan base. We're working with them to become more nutritionally aware in the community of Los Angeles, in the community of soccer. So, this is the good things about it. We're talking to AEG, almost every day about this. We hope for the best for everybody.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Okay. Thanks.

Des Walsh - *Herbalife Ltd. - EVP*

Thanks, Tim.

Operator

Our next question comes from Karen Howland.

Karen Howland - *Barclays Capital - Analyst*

Good morning. Wondered if you could bridge the gap a little bit for me. Last time you reported earnings, you said you expect volume points for this year, I believe to be up 4% to 5%. I think you reiterated that in December. You said January hit the targets, the internal targets in the US and in Mexico, but now you are expecting volume points to be down 1% to up 1%. That seems like a pretty drastic change in two months.

Rich Goudis - *Herbalife Ltd. - CFO*

No, I think the plus or minus 1% was for the full year, Karen.

Karen Howland - *Barclays Capital - Analyst*

Right. And I think previously you said up 4% to 5% for the full year.

Rich Goudis - *Herbalife Ltd. - CFO*

Right. And I think, two things. One is we ended softer than we thought, even when we talked to you in New York at the Investor Day. So, I think we're just being cautious for our 2009 outlook. Our year is back-end loaded when we look at it, and the biggest jump is in the second quarter.

Last year in 2008, we had our single biggest month ever when we launched the introduction of our 30th Anniversary promotion, and we had our single biggest month for the year and in Company history, last April. So we have a big hurdle to get over, and until we get through that hurdle, I think we're going to be very cautious. Cautiously have a look at our volume. Ratchet our business down, so that we're not spending ahead of our volume.

Rob Levy - *Herbalife Ltd. - SVP*

Ratchet our costs down.

Rich Goudis - *Herbalife Ltd. - CFO*

Ratchet our costs down, so we're not spending ahead of the volume, and be conservative. And hopefully, if we get through the next several months, maybe we can give you better feedback, better insights, whether it is underlying supervisor growth or volume growth in some of these markets, and start to get on the other side of this. We are out there.

It's like a blitzkrieg right now, and Michael, Des, Rob, they have been traveling a significant amount. More than I've seen in the last five years that I have been here, this early in the year, and that's just the beginning of the year. We have 13 Extravaganzas this year, versus eight a year ago, so we'll spend more than ever before behind distributor activation and activity in the form of events and meetings, and also promotions. And, we think those investments, historically, have shown us to be the best return on investment.

Karen Howland - *Barclays Capital - Analyst*

I have a follow-up with the next question. When you think about the fact that January was more or less in line with your internal expectations, it sounds like you guys have been running all over the place trying to drum up interest in the business. Is that going to have to continue? How does that additional distributor touching SG&A costs offset the cost savings that you have put in place?

Rich Goudis - *Herbalife Ltd. - CFO*

It's actually very interesting that some of the things that we have done here early in the year have proven to be, while incremental in spending, versus say our internal numbers, a hell of a return on investment. In fact, so much so we're looking at saying can we continue to do some of these things throughout the course of the year. The big thing is getting off to a quick start, getting people re-engaged, as Michael and Des described earlier.

Des Walsh - *Herbalife Ltd. - EVP*

And as to whether it is necessary, Karen, we're going to do whatever it takes. We're actually, believe it or not, having a good time at these meetings, because I have to tell you, you go to your hotel room and you turn on CNN and you see depressing news. You go and you sit with these distributors, and you leave there just feeling with a sense that these guys are going to turn the world on fire. They're accepting this as a personal challenge. They are hearing from their leaders, many of whom came into this business because they had lost their jobs. Their businesses collapsed. So, they are hearing stories of inspiration. I have to tell you, Karen, we went on this tour and in each case we had, in addition to a traditional HOM, Michael actually introduced from the audience, somebody who had been in the business just a few months, and we heard the most extraordinary stories.

One story in particular, a guy worked for a company, he was a welder. He actually lost 50 or 60 pounds on the products, had no interest in the business. He was earning $17 an hour as an welder. He expected a raise in October to $20 an hour, and instead in October, his company laid off 50 people because their order book had just collapsed. He started in the business, and literally here he was in December, and already he joined the business, became a supervisor, and actually literally, two months later was earning back about 70% of what he was earning as a welder. And, we heard these stories over and over again. So Karen, frankly, we're going to do whatever it takes. If it requires us to keep up the same schedule for the rest of the year, we're going to be out there, because frankly, the key issue for us is distributor engagement, and distributor confidence, and that's what we're out there to help support.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Just to let you know how excited our distributors are. For example, in Mexico we announced this tour maybe three or four weeks ago, and in three days, there were no tickets available for the tour. 14,000 seats. So, they have actually asked us to double the amount of activity we're doing down there, so instead of one meeting a day, we're going to do two meetings a day, and we definitely expect to see more than 20,000 people, 50% of which are new people. So the excitement level is extremely high.

Karen Howland - *Barclays Capital - Analyst*

Right.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

And Karen, in this business, attendance at these meetings is the first, key leading indicator as to changing momentum.

Karen Howland - *Barclays Capital - Analyst*

Right. I guess it sounds like there was a lot of momentum in the fourth quarter, but it just didn't show up in the numbers.

Rob Levy - *Herbalife Ltd. - SVP*

There wasn't a lot of momentum in the fourth quarter. We're start to see the first quarter have momentum.

Karen Howland - *Barclays Capital - Analyst*

Okay. And if I could have one more quick follow-up. The SG&A, the $40 million that I think you highlighted, Michael, cost savings you expect throughout the course of this year. Is that at a full run rate in the fourth quarter, or what portion of that was actually visible in the fourth quarter?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

None of it was visible in the fourth quarter, Karen.

Rob Levy - *Herbalife Ltd. - SVP*

Yes, we did all of the layoffs in the fourth quarter.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

We started the announcements on December 12th. So from the stand point of salaries and wages, we basically had those expenses throughout the entire quarter.

Karen Howland - *Barclays Capital - Analyst*

Okay. So that should all be visible going forward.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

You are going to start to see it sequentially, going through the first and second quarter, and then, you'll start to see the full impact Q3 and beyond.

Karen Howland - *Barclays Capital - Analyst*

Great. Thanks very much.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Okay.

Operator

Our next question comes from Doug Lane.

Doug Lane - *Jefferies & Company - Analyst*

Hi, good morning, everybody. Following up on the volume-points question, it looks like you are telling us that you are already seeing some improving trends with the volumes only expected to be down 5 to 7% in March. Will that be a steady improvement as the year progresses, turning positive in the third quarter? Is that how we should think about it when we are modeling?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

You are exactly reading right on the first quarter guidance. The big question is going to be is the second quarter. You know, we have a very large comp, so from a percentage standpoint, we have a difficult comp in the second quarter in that we kicked off our 30th Year Anniversary. From a standpoint of the key markets that are turning, like Mexico, which is 17% of our business, we expect that to start comping positive after the August VAT. We expect Venezuela, after July, should start comping positive. They stabilized their business. They have a good run rate of a little over 4 million to 4.5 million volume points a month. Then the question is going to be, is the US momentum that we're seeing here early, does it carry on? And more importantly, does it accelerate throughout the year? I think we'll have, obviously, a better incite after we get through these first couple months.

We just introduced a 5% price increase in the US business in February, so February is a tough month for us to read right now, because there could have been distributors buying ahead of that price increase, which occurred last weekend. So, I think that we're going to be very quiet as it relates to the outlook on our business from what we have given you here, until we meet again in May, or late April.

Doug Lane - *Jefferies & Company - Analyst*

Okay. That makes sense. And I know you are not getting this specific in our outlook, but can you give us directionally, what you think the impact of foreign currency will be on your gross margins this year?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Why don't we take that offline. I think we've given you and the street, our key assumptions that were in our initial guidance, $1.30 for the Euro, and $13.25 or so, for the Peso. Our current guidances reflects the FX rates that were available around February 10th, before we rolled up our financial package that went to the Board.

Doug Lane - *Jefferies & Company - Analyst*

Okay. Well, we can get that. That's easy. But you still source mostly in the US, correct?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Yes, that's correct.

Doug Lane - *Jefferies & Company - Analyst*

Okay. Shifting to China, didn't we talk about a requalification process for the Chinese sales leaders? Has that be undertaken yet?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Yes, we are just completing that right now.

Doug Lane - *Jefferies & Company - Analyst*

So that was not included in the 40.3% retention rate that you quoted?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

As you know, the China business model is a separate business model, and the supervisor requalification has never included China, so what we'll do is differentiate it and report it separately, when we do report it. And remember, when we do report it, it's accumulative three because we have never done a re-qual, so we'll be lower than the worldwide average just for the sheer fact we haven't done one.

Doug Lane - *Jefferies & Company - Analyst*

So this time next year, February, China will be in the mix with everybody else, correct?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

No, we'll never include China with everybody else. It's a different business model. Just like we do right now, Doug, if you look at new supervisors, everything else is separate. We'll do the same thing with the re-qual.

Doug Lane - *Jefferies & Company - Analyst*

Okay, thanks for the clarification.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

You're welcome. Why don't we take one more question?

Operator

Our next question comes Scott Van Winkle.

Scott Van Winkle - *Canaccord Adams - Analyst*

Thanks. I heard all of the commentary about trying to excite distributors, and get the energy going and the momentum. I didn't hear anything about new products, or was there a promotion going on starting up here in the first quarter, or something of that nature?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Well, we have been releasing new products globally. We had two launches in Santiago and Bogota, Chile. We can go over it in depth, because it's on 70 marketplaces. You have different products rolling out in different markets on a constant basis. In North America, we had the F1 packets, the Formula 1. We had the H3 launch in Canada. I don't know if you want me to go through all of this, but the digestive health line in the US, which we just launched, an Herbal Aloe Powder, Mango and Aloe flavors. I can read these to you.

Scott Van Winkle - *Canaccord Adams - Analyst*

I was wondering if you had something kind of in the hopper that you thought would kind of really change the momentum of the distributor force, brewing up for later this year?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

We always have one in the hopper. We're pretty excited about something, but I don't want to say too much about it yet. Actually, we're doing some clinical testing on a product before we bring it out, which is unusual for us, and the test results are very positive so far. Steve is actually sitting here. I'm staring at him. We are working with something with our distributors, right now. I hesitate to call it a game changer, but it certainly is something very strong in the weight loss category.

Des Walsh - *Herbalife Ltd. - EVP*

And then, Scott to add just for a promotional perspective, we're now in the final 12 months of the worldwide promotion for our 30th Anniversary vacations. This is the promotion which Rich mentioned. We launched it in the early part of last year, but now people are in the final 12 months. So, if they are going to qualify and get to Atlantis for our 30th Anniversary celebration, this is the year they are going to have to do it. So around the world the catch cry is, see you in the pool in Atlantis, and effectively to do that, distributors have to really work hard for the balance of this year and a lot of our promotional messages are geared around that.

In addition what we're doing, in various key markets, we are launching President's Team challenges. So one of the things that is being announced at our future President's Team Retreat in Mexico, is the opportunity for our entire President's Team to have a vacation together if they accomplish certain volume point levels, and that requires not only the country to achieve those volume points, but each President's Team, individually, to qualify. And, we're going to be launching those in other key markets. And again, it's part of our message that this is the right time, and there has never been a better time to bring people into the business, to get people on these products, and we're committed to providing the rewards to incentive our distributors to accomplish those goals.

Scott Van Winkle - *Canaccord Adams - Analyst*

Dev, those sound like promotions that are more focused on distributors with higher levels, is there anything more in the front end, the rank and file of distributor force to increase recruiting at the lower levels?

Des Walsh - *Herbalife Ltd. - EVP*

Yes, we actually have gone back, and one of the things we have done, Scott, is we have looked at previous, hugely successful promotions, particularly in times like these. We recognize for many people to make the investment to become a supervisor is significant. So we are relaunching a hugely successful promotion from a number of years ago, based around Success Builder. And to become a Success Builder, basically requires a purchase of 1,000 volume points, which in US terms including tax and shipping, represents an investment of about $600 odd dollars, and the promotion basically evolves around buying that product and selling it within ten days, because if you sell it within ten days at full retail, you generate a profit of $480.

So we're launching the Success Builder promotion in many key markets, and that primarily is focused at our lower level distributors, and encouraging them to bring new people into the business with those Success Builder orders. And most importantly, not only to encourage them to come into the business that way, but then to support them in selling that product within ten days, because our experience is that if people make that initial investment, make the sale of products, now they realize they have the confidence to do this business, and that becomes an ongoing process, and therefore, they stay engaged because they have had that success.

Scott Van Winkle - *Canaccord Adams - Analyst*

Thanks, see you all in Honors.

Des Walsh - *Herbalife Ltd. - EVP*

Thanks, Scott.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Well, tough quarter, tough fourth quarter, but you want to know something, we're very excited about 2009. We have interests, you all on this phone and us, that are completely aligned. It's interesting this week, we're going to hand out equity to our employees in this Company, and that equity is a large part of their compensation Driving that stock price, driving shareholder value becomes a key metric in every single employee, and frankly, many of our distributors are shareholders also. And so, they become as driven by the stock price as you do, by analyzing it as we do, by making it move forward. The independent business opportunity in this Company is very intoxicating. Distributors earn what they with worth and they never lay themselves off, and these are the tremendous attributes of our Company, especially during times of skyrocketing unemployment. So trouble is definitely opportunity for Herbalife. It's something we believe in.

We know that our lead product, Formula 1, has been proven clinically in studies around the world. Our distributor testimonies, they continue to tell us that this helps people lose weight. We know it. And, what better product to sell to a world experiencing an obesity epidemic. We are truly at the intersection of health and wealth. Activating our distributors, activating our employees, activating every part of our business is the key to growth, and that's what we're going to do. We started 29 years ago in 1980 when the US prime rate was over 15%, home mortgages were 13%, and the unemployment rate hit a high of almost 11% in '82.

Yet, through these times, our distributors built tremendous businesses. They see these times the same way. We may have slowed down a little bit in the fourth quarter due to some isolated issues in Venezuela and Mexico. We have had some broad issues in the Company, but we're really confident. We see it in the faces. We see it in the number of people showing up for meetings. We see it in our travel vouchers that are greater than ever before. Des, Rob, and myself are on the road, and we are going to stay on the road.

We are totally in belief of the future of this Company, of the opportunity of this Company, and the opportunity of our distributors at all levels. So, come out to our Honors Meeting. We're going to be here in March. We're going to have our highest level distributors here. We're going to parade out the most successful models. We're going to put on stage, the Asians, who are doing incredible, phenomenal business right now. Brazilians, who have seen their business turn around. We're very, very excited.

So we have our biggest Honors ever. The biggest payout in the history of this Company is going to happen in March. We invite you all to attend, to see, to touch, talk to our distributors, and you'll get an impression of where this Company is going. So thanks for the call. I hope to have better news in the next call when we are with you. We appreciate your time and your your support. Thank you.

Operator

Ladies and gentlemen, this concludes today's presentation. You may now disconnect .
