

FINAL TRANSCRIPT

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HLF - Q1 2006 HERBALIFE LTD Earnings Conference Call

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Merrill Lynch - Analyst

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PRESENTATION

Operator

Good morning and thank you for joining the Q1 2006 Earnings Conference Call for Herbalife Ltd. On the call today is Michael O. Johnson, the Company's CEO, Greg Probert, the Company's President and COO and Rich Goudis, the CFO. I would now like to turn the call over to Rich Goudis, the Company's CFO, to read the Company's safe harbor language.

Rich Goudis - Herbalife - CFO

Thank you. Before we begin, as a reminder, during this conference call comments may be made which include some forward-looking statements. These statements involve risks and uncertainties and as you know, actual results may differ materially from those discussed and anticipated. We encourage you to refer to yesterday's earnings release and in our SEC filings for a complete discussion of risks associated with these forward-looking statements and our business.

In addition, during this call certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements prepared in accordance with the U.S. Generally Accepted Accounting Principles, referred to by the SEC as non-GAAP Financial Measures. We believe that 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 our Investor Relations section of our Company website, Herbalife.com, to find our first quarter press release containing a reconciliation of these measures.

Now I'd like to turn it over to Mike.

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Michael O. Johnson - Herbalife - CEO

Thanks, Rich. Good morning, everyone, and of course thank you all for joining our conference call. I should say good morning, good afternoon and good evening. I know we have some people from overseas with us today.

Our President and Chief Operating Officer, Greg Probert, will provide an update on our key markets after I begin with the highlights of our first quarter, including an update on our key initiatives. And then Rich will walk you through our financial results and provide guidance for the second quarter and full year for 2006.

On our last earnings calls, we commented on sales events and promotional spending in the fourth quarter of 2005. We also indicated that the momentum created by our distributor promotions and events in 2005 carried into the early part of 2006. I'm happy to report this momentum and enthusiasm actually accelerated during the quarter, leading to our 9th consecutive quarter of double-digit sales growth.

In the first quarter, net sales reached record sales levels of \$456 million, up 23% versus 2005. This is our 6th consecutive quarter of record net sales. Earnings were \$0.48 per share, up 24% versus last year, excluding a onetime tax benefit.

Operating income as a percentage of sales improved 32 BP to 14.1%. New supervisors increased 34% over 2005. January 31st marked the end of our annual supervisor re-qualification period. Retention of our supervisors is 41.5%, up 39.7% in 2005 and 35.7% in 2004. Let me repeat that. The retention of our distributors is 41.5%. It's up from 39.7% in 2005 and 35.7% in 2004.

Our President's Team increased to 879 members, up 13% versus 2005. We welcomed our 28th Chairman's Club member in this quarter and our second Founder's Circle member. The Founder's Circle is the highest level of achievement in our distributors, with only two distributorships at this prestigious level.

In March, some of you on this call joined us at our Herbalife Honors Award event in Boca Raton, Florida where we awarded \$25 million in the Mark II's bonus to over 170 distributorships. This is our largest bonus ever. We opened Malaysia, our 61st country and we announced the opening of Costa Rica, our 62nd market.

Before I continue, I would just like to say a few additional words about our Honors event in Boca. We met with, as I said, 1,200 top distributor leaders. Four of our top distributors were awarded bonuses of over \$1.0 million, with the highest award of \$1.6 million, truly an inspirational evening and an event for all of our distributors worldwide who are linked to us on the web to see.

The event provided a forum for our top distributors to cross-train and share business concepts that are driving growth around the world. Several of our Presidents Team and Chairman's Club members gave presentations on the effectiveness and success they have experienced with different forms of what we call Customer Clubs. Where distributors bring their customers together on a daily or weekly basis to share our products and learn about the importance of good nutrition.

Additionally, distributors shared a variety of business-building methods such as the Total Plan, the Personal Wellness Program and other initiatives focused on generating low cost customer referrals. They also trained on the importance of customer and distributor retention and how this is driving such strong growth in countries like Mexico and France.

Some of you witnessed firsthand our distributor leadership and you'll see that they are engaged, passionate and deeply committed to executing our three R's - recruiting, retailing, and retention. The Honors event succeeded in providing an effective training platform for our distributors, building their confidence and sustaining momentum generated during 2005 and through the early part of 2006.

Now let me summarize our first quarter achievements in the context of our five strategic initiatives. As you know, we laid out these five strategic initiatives and our first one, as always, is focused on our most important asset, our distributors. Our distributor

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strategy, basically, is that we remain committed to the three R's - recruiting, retailing, and retention - and to providing our distributors with new tools and support to help their business grow.

We continue to globalize successful distributor methods of operation such as Nutrition Club party-planning concept and encourage the formulation of new ideas, along with the enhancement of and to the current methods. Nutrition Clubs remain a key focus. We believe this is a key driver of growth in Mexico, with potential for many of our other markets. Currently, we estimate there are 30,000 Club operators in Mexico.

We are also encouraged with the acceptance of this concept by distributors and markets beyond Mexico. We estimate that today we have 2,700 Club operators in 31 additional markets. We continue to enhance distributor tools such as BizWorks, Myherbalife.com, making both available in Spanish. Additionally, online distributor applications are now available in the U.S. on Myherbalife.com, making it much easier for someone to sign up to be a distributor.

We continue to invest in our events, which not only assist in training distributors and product features and benefits, but also provide venues for distributor leadership to train, motivate, and share best practices with other distributors. This is a key driver in helping distributors grow their business.

During the quarter we hosted events around the world, including our South American Extravaganza in Santiago, Chile, and our country opening celebration in Malaysia. More than 45,000 distributors attended Company-sponsored events and even more people attended the variety of distributor-sponsored events around the world.

One of our global initiatives that supports our distributors' business-building efforts is our branding investments. And one of the ways we are branding Herbalife is through sponsorships worldwide that associate our brand with healthy, active lifestyles.

Our sponsorship support of the three R's offers many opportunities for distributor activation. And they provide a low-cost method to sample our products, which assists in recruiting new distributors and customers and support the efforts of our distributors by increasing consumer awareness of the Herbalife brand.

During the quarter, we showed our brand at several events. At the Toray Pan Pacific Open Tennis Tournament in Japan - this is one of the largest women's tennis tournaments in the world - our distributors served over 23,000 shakes and handed out almost 20,000 NouriFusion sample packs during this wonderful event.

In February, Herbalife was a founding partner of the official nutrition sponsor of the inaugural Amgen Tour of California, which professional cycling teams from around the world. Now, I know AEG very well and they have a great goal for this tour of California. They believe that someday this will become as legendary as the Tour de France.

The Tour drew over 1.3 million spectators and our Herbalife booth was a major attraction at every stage on the Tour. Throughout the Tour, our distributors served Liftoff samples to many, many spectators.

In March we expanded our worldwide association with premier triathlons when we became the official nutrition sponsor of the Trofeu Brasil Triathlon held in Santos, Brazil, where athletes competed from Brazil's 27 states and all over South America.

We also sponsored the final round games of the 12th Volleyball League in Japan, which determines the year's top domestic Volleyball League champions. We increased our list of sponsored professional athletes to a total of 15, including 8 international sponsorships.

Our customer strategy, right next to our distributors are customers, our most important primarily objective and the primary objective of our customer strategy is to support our distributors in attracting, servicing, and retaining customers. In addition, it increases consumer access to Herbalife products.

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One of the initiatives supporting this strategy is the development of our E-commerce platform, which is progressing as planned. We expect a full rollout in the U.S. in the second half of 2006 and we're working closely, very closely, with our distributor leadership for seamless integration of the site to ensure that there are no channel conflicts.

Our product strategy - we have continued the global rollout of our scientifically based product portfolio to specific target markets. We introduced Garden 7 in Japan, NiteWorks in Turkey, and we rolled out Shape Works to Australia, New Zealand and the Philippines. We introduced NouriFusion into eleven countries in Latin America, Asia and Europe.

We introduced Herbal Aloe Personal Care products and protein bars in China. Our NRG Tea, a top fifteen product of ours, was introduced to India. We continue to reinforce our commitment to our distributor support and training through the expansion of our medical advisory board, with the addition of new members in Turkey, Russia, and Korea.

Now let's look ahead to product rollouts we have scheduled for 2006. We are very excited about introducing our hot product, Liftoff, in Europe, which will begin at several Spring Spectaculars in the second quarter of 2006 and culminates at our European Extravaganza this summer in Athens, Greece.

We are rolling out our cardio line, with the additional products rollouts in China, Japan, and Chile scheduled for the back half of 2006. We also plan to introduce water-mixable Formula 1 and a reformulated Garden 7 in the U.S. at our Extravaganza in July here in Las Vegas.

Our new product development pipeline is robust. We continue working with our scientific advisory team and our distributors on other enhancements to our existing product portfolio, intended to increase efficacy, taste and convenience.

Our China strategy, much has been said about China by many companies over the past few days. The direct selling environment continues to be impacted by the fact that the timeline for licensing process remains somewhat uncertain. Although we had hoped by now to have clarity on the licensing process, we simply have little visibility regarding the timeline.

As you know, we've submitted our direct selling application, which has been approved at the provincial level, is now in Beijing going through the state approval process. We continue to work closely with government officials and we are doing everything we can to obtain a license. We have a lot of respect for the Chinese authorities and the licensing process. However, it is a new process for the government and for all direct selling companies applying for this license.

In the meantime, we continue our pragmatic execution of our China strategy. We opened 5 new stores and expanded into two additional provinces during the quarter. At the end of the first quarter we have 19 stores operating in nine provinces.

Our infrastructure strategy, I don't want to bore you with all the details, but all aspects of this strategy are proceeding as planned. As I mentioned earlier, we've had a great quarter. This is our 6th consecutive quarter of record net sales levels. I want to congratulate my team and all of our distributors worldwide for this fantastic result. Adding to that, this is our 9th consecutive quarter of double-digit sales growth.

And now let me turn it over to the man who is really making it happen in our Company, Greg Probert, to provide you an update on our key markets

Greg Probert - Herbalife - President, COO

Thank you, Michael. Let me start by providing an overview of the financial performance of our top ten markets.

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Seven of those top ten markets, comprising 62% of our total Company volume, posted double or triple-digit increases versus the first quarter of 2005. Mexico led this group with volume up 119% during the quarter. Three of our top ten markets representing 9.0% of total Company volume experienced year-over-year declines.

Now let's look more closely at recent developments in a few of those markets, typically Mexico, the U.S., Brazil, Taiwan, Japan and Germany.

In Mexico, our number one market, the 119% increase in volume marks the fourth straight quarter of triple-digit growth for Mexico. We attribute this tremendous growth of further penetration of our Nutrition Club party-planning concept in this market increasing to approximately 30,000 Club operators.

The success of these Clubs is also apparent in the growth rates of new and total supervisors, both up triple-digits year-over-year in the first quarter and in our February 2006 re-qualification statistics, supervisor retention increased 7.0% to 58% in 2006.

Looking ahead to 2006 initiatives, in April we opened a new 5,000 square foot sales center in [Octotauca] and plan to open two additional centers by the end of 2006. We started a television campaign on Awake TV, which runs simultaneous with our Morning Nutrition Clubs and has Televisa Network. This campaign generated approximately 1,750 distributor leads during the first three weeks.

In April, we moved our Mexican headquarters to a new 170,000 square foot location in Guadalajara, making it the second largest facility in the world for Herbalife. Furthermore, Mexico also hosts a distributor Extravaganza later this year, in September.

Now let's turn to the U.S., our number two market. Volume points increased 19% versus the first quarter of 2005. Total supervisors in the U.S. were up 13% year-over-year in the first quarter. This represents the fourth consecutive quarter of year-over-year supervisor growth, with expanding growth rates. The rate of new supervisors in the U.S. also continues to increase, up 22% in the first quarter, our sixth consecutive year-over-year increase.

All of our top ten U.S. metro markets were up versus the first quarter of 2005 and of our top 25 metro markets 21, or 84%, were up versus the first quarter of 2005. By comparison, a year ago only six of the top ten metro markets were up and of the top 25, only 11 markets were reporting sales growth versus the first quarter of 2004.

In terms of 2006 initiatives, we plan to hold several President's Team leadership retreats for both our English and Spanish-speaking distributors throughout the year, which are expected to identify, nurture and grow new President's Team members. We expect to open a satellite sales center in Phoenix during the second quarter and two additional sales centers by end of 2006.

As Michael mentioned earlier, we plan to launch our water-mixable, Formula 1, and reformulated Garden 7 products at our North American Extravaganza in July. Additionally, our major 2006 branding campaigns include sponsorships with the AVP JP Morgan Chase Tennis Tournament and MLS Los Angeles Galaxy. We also plan to achieve our retailing executives through other localized initiatives, such as sponsorship of Bay to Breakers, a 12 K race in San Francisco, and the Coachella Valley Music Festival.

Now let's turn to Brazil, our number three market. The volume increased by 21% in the first quarter versus the same period of 2005. We also experienced strong growth in total and new supervisors at 26% and 45% growth, respectively.

The introduction of Nutrition Clubs, the continued strength of the total plan, and a competitive product portfolio has increased the effectiveness of recruiting retention initiatives in the market, engaged the distributor leadership, and generated strong top line growth in Brazil.

During the quarter we also sponsored the first of the Trofeu Brasil Triathlon and hosted the 10th Anniversary Celebration attended by over 3,000 distributors. In the second quarter we plan to introduce NouriFusion, which we anticipate will increase the penetration of our total plan concept in already effective retailing and recruiting initiative in this market.

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Now Taiwan, which is our number four market, and as we expected, volume declined 19% in the quarter versus 2005. This decline was primarily attributable to a shift in leadership and distributor focus towards the opening of the Malaysia and opportunities in China, as we continue to build our business and execute our expansion of objectives.

Additionally, Taiwan had a difficult comp to the first quarter of 2005 when volume was up 48%. It also important to note that this Taiwan's first year-over-year quarter of decline in over five years. Although we experienced a 20% decline in new supervisors compared to 2004, total supervisors increased 5.0% in the quarter.

To counteract the negative first quarter sales decline, we launched three new distributor literature tools in Taiwan, hosted a motivational seminar, and sent 28 of our distributor leadership to Nutrition Club training sessions in Cancun, Mexico, hosted by Mexican President Team members. Additionally, we sponsored a local promotion initiative to help stimulate local activities.

We expect sales to remain soft in the market during the second quarter, as many distributor leaders continue to create new down-line organizations in Malaysia. Additional initiatives planned to drive sales growth into the Supervisor Extravaganza Qualification promotion, geared towards stimulating supervisor recruitment, sponsorships of a prominent type A running event and a local radio branding campaign.

In Japan, our number six market, first quarter volume decreased 10%. However, total supervisors only declined about 1.0% compared to 2005. The decrease in volume points was primarily attributable to a decline in supervisor productivity, reflecting the impact of the amendment to the re-qualification criteria in October 2005.

However, the new 4-K program had a positive impact on Japan's supervisor retention rates, up to 51% in the first quarter versus 39% in 2005. We were able to retain an additional 1,400 supervisors in the market, representing \$5.6 million incremental volume points should they re-qualify again in 2007.

I'll now briefly touch on a few key highlights in Japan's first quarter, which we believe will positively impact sales and distributor productivity heading into the second quarter.

We launched Garden 7. We sponsored two sporting events, as Michael touched on earlier, the Toray Pan Pacific Open Tennis Tournament and the final round games of the 12th Volleyball League. We held a variety of training sessions on Garden 7, NiteWorks and NouriFusion and our distributors opened ten new Nutrition Clubs.

Starting in the second quarter, we've undertaken a variety of recruiting, retailing and retention initiatives to stimulate distributor activation and excitement in this market. We completed a successful launch of NouriFusion Skin Whitening Foundation in April, which included over three weeks of pre-promotion activities.

We also announced our Lifftoff launch, following a month of promotional activities and training sessions hosted by Dr. Luigi Gratton. We plan to hold Nutritional Club training sessions at three venues - Fukuoka, Osaka and Tokyo, collectively expected to attract over 4,000 distributors. We are scheduled to open a new showroom, Nutrition Center, in Osaka in the summer of 2006, which should provide a tremendous amount of recruiting and retailing opportunities for our distributors.

Our Asia-Pacific Extravaganza will be held in Bangkok this June and will include a supervisor qualification event and promotion. And we will continue to expand our Herbalife branding campaign with possible additional volleyball sponsorship, print ads in magazines and newspapers and the advancement of new Call to Herbalife programs.

Given Japan's position as the second-largest direct selling market in the world, with retail sales estimated at over \$27 billion, we realize that there is a tremendous amount of opportunity for Herbalife and our distributors as we continue investing resources to turn our business around in this market. We remain confident that our distributor leadership and country management will continue executing our core strategies, which will yield improved results for Herbalife in the latter part of 2006.

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Now let's turn to Germany, which is our number eight market. Volume points in the first quarter were down 13% versus 2005. Total supervisors declined 22% versus 2005 and new supervisors declined by 20% compared to last year. Over the past year we've worked closely with our distributor leadership and made strategic investments to stem the decline in Germany.

In 2005 we upgraded country management, launched NiteWorks at Summer Spectacular and started removing websites tarnishing the Herbalife brand in this market. In the first quarter of this year, we held Nutrition Club kickoff training and opened eight new clubs, continued working with distributor leadership in creating initiatives focused on building the Gen H and Over 50 segments and hired a local PR firm to assist in image and brand building.

For the remainder of this year, we plan to launch Liftoff and NouriFusion in the second quarter in conjunction with our 15th Anniversary Spring Spectacular. We will launch Liftoff.com website and a new CRN distributor tools. We will launch a Nutrition Club tour and expand distributor training sessions on this unique concept.

We will launch a total plan to introduce a wellness evaluation, which has been successful at driving growth in France, and make additional investments in the market to recruit in our target distributor subsegment to further improve Herbalife's image and hold various leadership sessions in order to revive excitement among our distributors.

We remain thoroughly committed to turning around our business in Germany. However, restoring a positive brand image will take time. Nevertheless, we will provide all the necessary resources to our country management and distributor leadership, which we anticipate will generate year-over-year volume growth in this market within the next 12 months.

Now let me provide a brief update on China. Net sales in China were \$4.2 million for the quarter, up \$4.0 million from 2005. We introduced several new products, including Formula 1 packettes, Herbal Aloe Personal Care products and protein bars. And as Michael mentioned earlier, we opened five new stores and expanded into two new provinces, bringing the total to 19 stores operating across nine provinces.

Additional initiatives scheduled for the market in 2006 include the launch of NiteWorks during the last half of the year, opening 11 new stores and expanding into 11 new provinces, bringing our total to approximately 30 stores operating in 20 provinces by the end of the year.

Michael also mentioned earlier that the timing of obtaining our direct selling license is uncertain. Therefore, our updated outlook for China is likely to be closer to the lower end of the \$30 to \$50 million range that we had previously conveyed. And correspondingly, our EBIT loss will be lower than the \$8.0 to \$10 million that we previously communicated.

I will now turn the call over to Rich for a financial update.

Rich Goudis - Herbalife - CFO

Thanks, Greg. Let me walk you through the financial statements that were issued yesterday in our press release and also give you guidance for the second quarter and for the full year 2006. During this section, all references to sales are net sales and volumes Herbalife volume points.

In the second quarter, net sales of \$455.8 million were up 22.5% versus the first quarter of '05, reflecting strong volume growth in our key markets. Net sales in the Americas, which comprise 49.2% of our sales, were \$224 million, reflecting an increase of 59.4% versus the first quarter of '05. Without the impact of FX, sales would have been up 51.6%.

Net sales in the U.S. were up 21.5%, well ahead of our expectations. Additionally, net sales in Mexico were up 123.2% and Brazil was up 51.8%. Other South American countries showed strong growth as well. Columbia was up 512.5%, Chile up 119% and Argentina up 109.5%.

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European net sales of \$141.5 million, which comprised 31% of our business, decreased 2.2% from \$144.6 million in the first quarter of '05. However, excluding the impact of FX, sales actually would have increased 5.5%.

Leading the growth in local sales in our top ten European markets was France at 41.8% followed by Portugal up 37.8%, South Africa up 21%, Spain up 21.3%, Italy - which is our number one market in the European region - up 18.2%, and Turkey up 11.6%. Partially offsetting these increases in local currency sales were declines in Germany and the Netherlands of 13.3% and 16.7% respectively.

Net sales in Asia-Pacific, accounted for 14.9% of our sales, was at \$68 million, an increase of 13.3% versus first quarter of '05. Excluding the impact of FX, sales for this region would have increased 13.6% versus the same period in '05. The growth in the region was primarily attributable to \$7.9 million in incremental sales from both China and Malaysia and increases in Korea and Thailand of 35.4% and 26.6% respectively.

These gains were partially offset by a 14.7% decline in Taiwan, as Greg mentioned, resulting from our distributor's energy and attention focused in two new markets, Malaysia and China. Please remember that our Taiwanese and Hong Kong distributors can operate in China, unlike distributors in other markets.

Sales in Japan, which represented 4.9% of our sales, were \$22.2 million, down 17.3% from \$26.9 million in the first quarter of '05. Excluding the impact of FX, sales in Japan decreased 7.4% compared to '05.

Gross profit in the quarter was \$364.4 million or 80.0% of sales. The year-over-year improvement of 31 BP was primarily due to country and product mix and to a lesser extent, but importantly denote price increases throughout most of Europe and Asia during the first quarter.

Royalty expense for the first quarter was essentially flat with the year-ago at 36.3% of sales for \$165.3 million, primarily reflecting the global nature of our marketing plan. SG&A as a percent of sales was 29.6%, essentially flat, again, with '05. The \$135 million in SG&A expense was up \$25 million, compared to the \$110 million reported in the first quarter of '05.

This increase included --

\$11 million in labor and benefits resulting from the strengthening and expansion of our global worldwide management team.

Higher costs associated with employee sales reps in China and normal merit increases.

A \$5.6 million increase in professional fees primarily associated with the expansion of our technology infrastructure and platform and higher legal expenses.

A \$4.9 million increase in sales and into promotions, primarily due to the timing of sales events such as the Chilean Extravaganza and the Boca Honors program.

Remember that during the first quarter of '05 we did not host any major distributor events, as the majority of our '05 events were folded into the 25th Anniversary Extravaganza in Atlanta in April.

A \$2.3 million increase in occupancy costs due to additional costs associated with our new offices worldwide.

And this year we adopted FAS 123R for the treatment of stock options. Our option expense in the first quarter of '06 was \$2.4 million.

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Operating income was \$64.1 million, up \$13 million from the \$51.1 million reported in the first quarter of '05. As a percent of sales, our op margin improved 32 BP to 14.1% versus the 13.7% last year, again primarily reflecting the improved gross margin just mentioned.

On a reported basis, interest expense for the quarter was \$6.0 million, a decrease of \$16.2 million compared to the \$22.2 million reported in the first quarter of '05, which included transaction expenses of \$14.2 million associated with our audit via recap and the claw-back of our 9.5% notes in February of last year.

Excluding the \$14.2 million recap, interest expense decreased \$2.0 million apples to apples versus first quarter of '05, primarily due to the lower average debt balance during the first quarter of '06 compared to '05. Our effective interest rate in the quarter was 8.4%; up from 7.2% during the first quarter of '05, as 67% of our debt this year was the 9.5% notes.

We repaid \$10 million of our \$200 million term loan in the first quarter. Our outstanding debt is now \$244.8 million, \$165 million of which is the 9.5% note and \$79.8 million balance on our term loan tied to LIBOR plus 1.75%, with an average rate of 6.5%. Our term loan is hedged with interest rate swaps, minimizing the exposure to any increasing.

On a reported basis, our first quarter effective tax rate was 33.4% compared to 54.1% reported in the same period last year. The decrease in the effective tax rate for '06 was primarily attributable to the impact of significant less non-deductible interest, including the non-deductible recap charges that I just mentioned and a \$3.7 million tax benefit in the first quarter, resulting from an international income tax audit.

Excluding the onetime tax benefit in '06, our effective tax rate for the quarter would have been 39.7%, consistent with our guidance and 70 BP lower than our full year effective rate of 40.4% last year, reflecting the positive impact from our tax strategies.

Net income on a reported basis was \$38.7 million in the quarter, compared to \$13.3 million in the first quarter of '05. EPS of \$0.53 in the quarter improved significantly, compared to EPS of \$0.19 reported in the first quarter of '05. Excluding the \$3.7 million international tax benefit realized in the first quarter and the \$14.2 million recap charges last year in the first quarter, EPS this year would have been \$0.48 compared to \$0.38 last year.

Additionally, this year our diluted share base increased from 71.7 million last year to 73.5 million shares in the quarter, having a diluted impact on EPS of about a penny. In summary, our net sales were up 22.2% and our adjusted EPS growth rate was 24.2%.

Turning to the balance sheet, the Company ended the first quarter of 2006 with \$109.2 million in cash, up \$21 million compared to the ending balance of \$88 million at the end of the year. Inventory of \$106 million decreased \$3.8 million compared to the \$109.8 million of inventory at the end of the first quarter of '05.

From an efficiency standpoint, inventory turnover was 3.4 turns compared to 4.4 turns in the first quarter of '05. CapEx of \$12.2 million for the quarter reflects our ongoing investments in infrastructure that Michael mentioned. We invested approximately \$8.9 million in information technology, including Oracle, Internet, our DTC platforms and other IT infrastructure initiatives. We also invested in our facilities primarily related to China, Mexico and here in the U.S.

Now let's discuss the Company's guidance for the second quarter and for full year 2006. Expected attendance at our fourth quarter '05 sales event, coupled with the success of the Worldwide Cup promotion, which generated strong volume growth in early 2006, our first quarter top line growth and increased focus on cost controls, enabled us to exceed our earnings estimate [for the first quarter] and therefore we are raising our full year 2006 guidance.

A summary of the guidance contained in yesterday's press release is as follows -- net sales growth versus '05 for the second quarter is 17 to 20%; for the full year 17 to 19%. EPS we expect in the range of \$0.44 to \$0.48 in the second quarter and \$1.88

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to \$1.93 and both of those numbers exclude the onetime tax benefit in the first quarter; CapEx in the range of \$15 to \$20 million in the second quarter and \$35 to \$45 million for the full year 2006.

That concludes our recap of the financials. Now let's turn it open for questions.

QUESTIONS AND ANSWERS

Operator

[Operator Instructions] Michael Lasser from Lehman Brothers.

Michael Lasser - Lehman Brothers - Analyst

Hi guys, nice start to the year. Last quarter you provided commentary on the broad trends you were seeing into the current quarter and then earlier on the call you said the trends accelerated through the second half of that quarter. Perhaps you could provide similar detail into what you're seeing now and are you seeing trends to continuing to accelerate?

Michael O. Johnson - Herbalife - CEO

Michael, I think we articulated last quarter that we did that because of how we finished in the fourth quarter and I think we described last time that that would probably be the last time we would do such a thing. So we're going to stick to that comment and we'll refer you back to our guidance.

Michael Lasser - Lehman Brothers - Analyst

Got you, just thought you might be in a generous spirit today, but.

Michael O. Johnson - Herbalife - CEO

Nice try, though.

Michael Lasser - Lehman Brothers - Analyst

Yes. In the 10-Q it was indicated that Switzerland was down 25% during the quarter. Do you attribute that weakness to spillover effects in Germany and if so, what is the chance that trends could possibly spread to other areas in Europe?

Greg Probert - Herbalife - President, COO

This is Greg. Yes, I think it is part of the knock-on effect of Germany and I think we meant German-speaking Europe - Switzerland, Austria and Germany - as really one large territory and our distributor, to net common distributors. So I don't see that spilling over to other countries. It's really isolated in the German-speaking Europe.

Michael Lasser - Lehman Brothers - Analyst

Okay. Just as a follow-up to that, do you anticipate that the introduction of Accomplia, which was just recommended for approval in Europe, could prevent a turnaround in those markets?

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Michael O. Johnson - Herbalife - CEO

Could you repeat it?

Michael Lasser - Lehman Brothers - Analyst

Do you anticipate the introduction of Accomplia, which was just recommended for approval in Europe could prevent a turnaround in those markets, as it may act as a distraction for some of the --?

Greg Probert - Herbalife - President, COO

No. That's not on our radar in terms of a major issue for us in Germany.

Michael Lasser - Lehman Brothers - Analyst

Okay and final question. Could you talk to any markets that you're seeing particularly strong growth in Nutrition Club outside of Mexico? You gave some statistics in Germany and Japan. Where is this concept getting particular traction and what do you think it will take for it to continue to proliferate in these markets?

Greg Probert - Herbalife - President, COO

A couple ones that we didn't mention. Jamaica is a huge market for us for Nutrition Clubs and we're actually using that now in addition to Mexico as a training ground for other international distributors. In the U.S. we're seeing, actually, a fairly good penetration of Clubs. So, I think, back to Jamaica, we have probably over 200 Clubs now there in Jamaica.

Indonesia, we have a lot of Clubs opening up around there. We've actually made a very concerted effort to go after new distributors in Indonesia. And I think throughout Latin America you're seeing a lot. Argentina is one of our fastest growing markets in Latin America and the Clubs are taking hold there, Chile is the same thing. And even in the U.S. we're starting to see some good penetration. We're starting to probably approach 1,000 Clubs, I think we'll get to, probably in the next quarter or so in the U.S.

So, yes, we're very happy that the concept is being acculturated and penetrating additional markets and more importantly, not only lower socioeconomic groups but middle class and in the U.S. we're even see it as an up-market strategy. So, very happy with the role of Nutrition Clubs.

Michael Lasser - Lehman Brothers - Analyst

Super. Thanks for the insight.

Michael O. Johnson - Herbalife - CEO

Thanks, Michael.

Operator

Doug Lane from Avondale Partners.

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Doug Lane - *Avondale Partners - Analyst*

Hi, good morning, everybody. I just wanted to ask - and I apologize I jumped on a little late - but could you give us some color on how the Liftoff Internet site is doing and what your plans are to roll out the product portfolio in the U.S. over the Internet?

Greg Probert - *Herbalife - President, COO*

Hey, Doug, how are you? The site right now is really a beta site and we have it restricted to a small audience of distributors that we are really trying to test the back end integration.

So, I think, as you may know, it's an off-the-shelf platform that we're integrating some of our back end. It's very complex, given the royalties and the distributor lineage and all those issues, so we haven't really done an kind of marketing behind it.

We'll start to do that when we beta site for the Herbalife.com so the E-Commerce platform that we'll be testing later this month and then a full rollout in Q3 and then we'll really start to advertise. So, I think it was never meant to drive a lot of consumer traffic. It was meant really to work with our distributors on how to use the site and to test the back end technology.

Doug Lane - *Avondale Partners - Analyst*

And what has been the reaction from the distributors at least so far?

Greg Probert - *Herbalife - President, COO*

Well, I think on the entire E-Commerce and DTC we work very closely with our distributor leadership. We have an S&P group that works with us, of our leadership, in terms of the functionality of the site.

And one of the things that we're most concerned about and very careful - that's why we're going very slow and study on this initiative - is that we don't want to create any channel conflict. This is not a way for us to retail around our distributors. All sales on our DTC site will be attached to a distributor.

We feel that that distributor interaction with the customer is one of the big value adds that we have over other products sitting at retail channels. We never want to lose that person to person consultative selling, the mentoring, the coaching.

So, figuring out how to do that over an E-Commerce site is complex and we want to make sure that when we do this its with the full integration of our distributor leadership. And therefore we work very, very closely with our leadership in rolling it out.

Michael O. Johnson - *Herbalife - CEO*

This is Michael. I just want to add one thing in there. We know how hard you all work out there and you're analyzing companies like us 12, 14, 16 hours a day and www.liftoff.com is a great place to go and buy some Liftoff so you can power yourself through that day. There's a little ad pitch there from Michael Johnson, CEO.

Doug Lane - *Avondale Partners - Analyst*

Thank you for that, Michael. All right. Thanks a lot.

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Michael O. Johnson - Herbalife - CEO

Thanks, Doug.

Operator

Chris Ferrara from Merrill Lynch.

Chris Ferrara - Merrill Lynch - Analyst

Hey guys. You guys, I guess, had talked about building out headcount to match the pretty aggressive growth path you guys are following right now. Can you just give a little color as to how that's going and how labor and benefits have come up? I mean, basically what I'm trying to understand is when do you start to lap an initial increase in headcount or is it more fluid? Do you continue hire from here?

Rich Goudis - Herbalife - CFO

I think the specific number is, excluding the China and the distributor employee status, I think year-over-year we were up about 300 heads, about 15% or so. We talked about regionalization, Chris, and we're going to continue to invest to regionalize our business. But I think we're getting to the point now where any substantial increases in the field would probably be neutralized somehow here at headquarters.

Chris Ferrara - Merrill Lynch - Analyst

I'm sorry, I don't follow the last part. You mean neutralize at headquarters meaning?

Michael O. Johnson - Herbalife - CEO

Meaning you add one in the region, you take one out of headquarters. I mean, that's where regionalization goes.

Chris Ferrara - Merrill Lynch - Analyst

Got it. Okay. That's helpful. And then, just secondly, just looking at productivity, I know there are lots of flaws to looking at the business by just dividing sales by number of supervisors. But that being said, that's what we got. So, when you look at productivity and in the Americas it looks great, but its been decelerating over the last few quarters in all of the other segments. Can you just comment on that a little bit, I mean, what the flaws to looking at it this way are and what trends you might be seeing and how you think about to?

Rich Goudis - Herbalife - CFO

Yes. We think of the business, as we've been talking, we look at the three R's - retailing, retention and recruiting. So the statistics that we've kind of shared this quarter, we talked about our retention statistics moving up to 41.5%, which was up significantly from just two years ago and up from 39.5% last year. So that's a key measure.

The other one, over the last couple of quarters we continue to keep giving you more anecdotal insight into the number of new supervisors. And I think, as Michael mentioned, or Greg maybe mentioned, like in the U.S. it was the 4th or 5th consecutive quarter, I think, of incremental and expanding new supervisor growth.

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And then lastly, probably less meaningful, although with the Nutrition Club concept as something we're watching, is the dollars per rep. We see that in a country, in Mexico, where there's a lot of retailing, we're seeing that volume point for rep increasing and as well as the retention.

So there are many metrics. We're still trying to get our hand around it in this business and as we get comfortable with them, we'll share them with you.

Chris Ferrara - *Merrill Lynch - Analyst*

But are dollars per rep sort of decelerating in the other markets outside of the Americas?

Rich Goudis - *Herbalife - CFO*

Not noticeably, no.

Michael O. Johnson - *Herbalife - CEO*

In fact, they're increasing in Japan.

Chris Ferrara - *Merrill Lynch - Analyst*

Okay. Thanks.

Rich Goudis - *Herbalife - CFO*

Okay.

Operator

Scott VanWinkle from Canaccord Adams.

Scott VanWinkle - *Canaccord Adams - Analyst*

Congratulations, everyone, a few questions. First, you're in 62 markets now. How many markets are there out there that are of interest that you're not in currently and maybe how many are you working on kind of ground work today?

Rich Goudis - *Herbalife - CFO*

Well, I mean, if you look at someone like Avon, who we admire in many ways, they are in 140 markets. So that's maybe the upside. But we're looking at two to three markets a year, Scott, realistically and I think we'll go along at that pace.

Scott VanWinkle - *Canaccord Adams - Analyst*

Okay and on Japan, you talked about some of the things you're doing in Japan. It seems like every direct seller is putting up declines in Japan today. Is there anything you can talk to about the broader market of what's going on over there with network marketing?

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Greg Probert - Herbalife - President, COO

Yes. I think, Scott, what we see is that there are some issues there with the market, but where we are, we think we have a great opportunity in Japan. We've gone through, as you know, several years of decline and we've been able to stabilize that over the past probably three quarters and we had a growth quarter last quarter and a little down this quarter.

But you're going to look at what I call -- we stemmed the decline. We're sort of in a holding pattern. Now it's about whether we can increase our business and for us that's really a recruiting issue in Japan. We need to really go out and get more distributors and I think some of the issues other direct selling companies are having in Japan actually is quite well for us. Because I think the ability to go out and get some new distributors is probably at an all-time high for us in that market.

So we have a very strong core of existing distributors. They're very well versed on the products. As I said in my comments, we'll be launching some exciting new products in that market, specifically the foundation, the Whitening Foundation, which we just launched last month. Liftoff we're launching this month and we announced it last month.

And so I think those two products will have a significant impact not only on the retailing but our ability to reposition ourselves in that market as a hot, new company. We're spending a lot of time on the branding effort there to position Herbalife as a very new and changed Company. And as you know, Japan is a country of fads and so it's always about the latest, greatest thing and I think we're repositioning our brand in that market. And I think that bodes well for our future there.

Scott VanWinkle - Canaccord Adams - Analyst

As you're looking to benefit from some of the tough times of your competitors, is there anything structural in that market that you think your competitors are dealing with?

Greg Probert - Herbalife - President, COO

No. I think really -- I don't really like to talk too much about our competitors. We focus on what we're doing. We know if we execute and have the right strategies, we'll grow regardless of what our competitors are doing.

I think one of the other things that we're looking at is really creating a more physical presence in Japan, which goes to our rebranding efforts. The show room that we opened in Tokyo last year has been incredibly successful at exposing more customers to potential distributors. Our distributors love to bring their recruits into there. We've done great qualifying events.

We're going to be opening a similar facility in Osaka and again, looking at creating regional presence out in Japan and eventually as you know, Japan is made up of nine key cities that accounts for most of the sales in all the industries. And we'll hit the second one, Osaka, and you'll probably see us branching out in Japan over the next couple of years.

Scott VanWinkle - Canaccord Adams - Analyst

Okay. Giving us the retention numbers and thank you very much for that, did you just want to focus on one of the three R's this quarter? Are you going to give it to us every quarter? And then the next question is what's the biggest driver of retention? Is there something that highly correlates to retention? Is it just higher volume points ending up with better retention of supervisors? Are there programs or promotions that drive higher retention? What's the biggest corollary with retention?

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Rich Goudis - Herbalife - CFO

Let me take the first part, then I'll hand it over to Greg for the second, Scott. As it relates to the retention numbers, as you know, we only have the re-qualification period once a year and that's when it's meaningful to talk about the re-qualification and share those statistics. So we'll remind you of those in future quarters, but they won't change until this time again next year.

With that, let me pass it over to Greg to answer the second part.

Greg Probert - Herbalife - President, COO

Yes, Scott. We talk a lot about the three R's and one of the things that we're discovering is something that we're actually now starting to call the Virtuous Circle and that's really how the three R's interact. And you can think of them as a linear relationship or you can think of them as a circular interactive, and we tend to look at them as a circular interactive relationship.

And what that means is good customer care, good products, good prices, good retailing builds long-term customers. Long-term customers then build long-term distributors, because if you have a customer base where you're earning money you'll stay longer as a distributor. Please leave multilevel and direct selling because they don't make enough money for the amount of time they put in.

That, in turn, makes it easy to recruit new distributors because you have good examples of return on time and that, in turn, brings in new customers. Those customers stay long-term and they bring you out. So it's a Virtuous Circle that feeds on itself. And what we're seeing is that all three of those things are working very well at Herbalife and I think one of the key learnings we've made over the past few years is that we really need to keep a proper balance between recruiting, retailing, and retention.

And if you look at last year, a significant amount of our growth last year and the first part of this year is due to all three of those metrics improving across the Company.

Scott VanWinkle - Canaccord Adams - Analyst

Thanks. Hey, Rich, one other question. You're going to be net debt kind of free by the end of this year. When do you pay a dividend or you build a little forward in case you get a couple small product acquisitions out there?

Rich Goudis - Herbalife - CFO

Well, we may be net debt at zero at the end of this quarter, Scott, with the amount of cash that we generate. But we continue to be prudent about paying off our term facility. I mean, our net debt right now is \$30 million, right, and I think last year we paid off about that in the second quarter.

We are evaluating our capital strategy right now and we are listening to people, a lot of our investors, as to what to do, what to deploy of say the excess cash that's outside the needs identified in our five-year planning process. Additionally, I think in our last call we talked about our product strategy being that of buy, borrow, or build and the buy is very important to us.

And we have a small group here that we've just established in the last six months to start to get out there and put the shingle out there. That let's people know that Herbalife's in the business of looking at products for acquisition purposes, whether it's a product or IP, to help strengthen the line, to extend the line not only here in the U.S., but more importantly abroad, where 80% of our business lies. So if you have great ideas, bring them to us.

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Scott VanWinkle - *Canaccord Adams - Analyst*

Okay. Thank you.

Operator

Javier Escalante from Morgan Stanley Dean Witter.

Javier Escalante - *Morgan Stanley Dean Witter - Analyst*

Good morning, everyone, a couple of questions, one general with regards to statistics about distributor attendance and number of distributor meetings in the quarter. I'm not sure whether you have that available with you now. But I would like to, if you could, if you can talk about this first quarter, the number of meetings and attendance levels, what you have planned for the second quarter and how that compares with the base period.

Rich Goudis - *Herbalife - CFO*

I think Michael shared with you that we saw 45,000 distributor in the first quarter and we expect, in the second quarter, and let's even go a little beyond it through the July period, we expect to see well over 50,000 distributors in that period. And I think that compares very favorably and I'll give you a snapshot.

Two years ago, the last time we had a North America Extravaganza in Nashville, I think we saw about 8,000 distributors and we're expecting upwards of about 13,000 in Las Vegas this year. So, anecdotally, where we see a lot strong attendance typically volume follows.

I'll pass it over to Michael.

Michael O. Johnson - *Herbalife - CEO*

Well, I would, just on echoing Rich's comments is that we, through this summer, are going to see really tens of thousands of distributors between Bangkok, Thailand, between Athens, Greece, between Las Vegas and there's a variety of events that'll be taking place in other market sectors. In Latin America and Asia, what we call the World Team Schools and our SPO training.

So when we talk about number of distributors that we see, this is a big stage event. The number of distributors who are attending events is in the hundreds of thousands and that's a huge uptick in what's been happening in the Company over the last three years. It's continuing to escalate. Each event is getting larger. This is some of the stuff we spoke about in our fourth quarter last year, that our events got a little larger than we anticipated and cost us a little more money.

We're trying to really get a firmer fix on the number of people that come or earlier subscription to these events. We're selling tickets earlier. We're doing cutoff dates so we get a better understanding of how many people are coming, what our real costs are and we have, in Europe alone, made Spectaculars in I don't know. How many countries do we have them going?

Rich Goudis - *Herbalife - CFO*

Almost every country.

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Michael O. Johnson - Herbalife - CEO

In every country we have a Spectacular going in Europe. So we'll have anywhere from 2,000 to 3,000 people in every single marketplace in Europe, on top of that in Athens, Greece. So these events are important.

Because they're obviously the opportunities for people to do the three R's, to recruit, to bring people to them, to retain because they see the opportunity there and they will learn ways to build their business and to sell the products more effectively and to build down-line and obviously to retail the products.

Because a lot of the focus in our last meetings have been on building a customer base, a sustained customer, long-term customer care, working with personal wellness. And somebody who can sit down and talk to you about your nutrition needs, as well as how do I get involved in some type of Customer Club. These have become more -- they're still highly emotional, but they're becoming more and more tactical as time goes on and that's important for distributors to see other distributors who are successful.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

And do you guys believe, for instance the attendance is up, is this a leading indicator of how things are going to turn out for a couple of quarters down the road? Or is it more kind of like the impact of the higher attendance has to do more with how you explain how you got to the sales number in a given quarter?

Michael O. Johnson - Herbalife - CEO

Well, I think it correlates very closely to volume in the near-term. As more distributors come to these people, get enthusiastic and made an investment to come to these meetings. And so they're investing in their business in that, to the level of the investment that they've brought to bring themselves there and that's usually an indication that these people are committed in trying to figure out how to build a stronger base and bigger business. Greg?

Greg Probert - Herbalife - President, COO

Yes, Javier, to put a little bit more meat on the bone from Michael's comments, if you look at last year, we had our 25th anniversary in Atlanta. We had roughly 35,000 or so people attend that, which is unusual for us, because we normally do regional. The year before that we had three regional Extravaganzas.

This year we're having six Extravaganzas. So the North America one is isn't big enough, so we now have one in Mexico by itself. We have one in Brazil. We have one in the rest of the Spanish-speaking South America, Europe and Asia-Pacific. So in those six events we're going to see 70,000 to 75,000 people.

And what it does is it tells you, one, that many people coming, they're very excited about the business. Their business is up and it's a lot of new people to have coming into the Company, so that's an indication of past performance. Coming out of the meetings they're very motivated, so that's a good indication of future performance.

So I think it's both. I think it's both a trailing and a leading indicator.

Rich Goudis - Herbalife - CFO

Javier, I would add on top of those Extravaganzas, in the first quarter that we trained over 16,000 people in Nutrition Clubs. That compares to about 22,000 trained all of last year. So in addition to the Extravaganzas, we have separate initiatives underway driving training in great concepts like Nutrition Clubs.

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Javier Escalante - Morgan Stanley Dean Witter - Analyst

Right. Excellent and moving -- just a quick couple of questions on China. It seems like, from the commentary in the prepared remarks, that could it be that you guys think now that a license in 2006 is a little bit not prudent to think about? And if so, what changed your mind?

Is it that you believe the Chinese government somehow is taking this lower pace to see how the competitors that already have direct selling operations, how they behave? How do you guys think about what's happening? I mean, I know that the issue is sensitive, but I would appreciate any commentary on it.

Greg Probert - Herbalife - President, COO

Yes. I wouldn't say, Javier, that our license is moving back the next year. I think what we're saying and Michael said it in his comments, is it's a very fluid and uncertain process. It's the first time the government has gone through it and the Chinese government is trying to figure it out.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

Yes.

Greg Probert - Herbalife - President, COO

What we do know is that we have a very strong management team on the ground. We've invested a lot of time over the past couple of years in government relations. Percy is very well connected. You've met him, Javier.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

Yes.

Greg Probert - Herbalife - President, COO

And he's spending a lot of his time in Beijing. We got provincial approval of our license and it's now sitting in Beijing. I think what we're trying to say is that given the lack of visibility into the process and the fact that this is something that the Chinese government is going through for the first time, it's just very hard to predict when that license will be granted.

And I think that's something that's true for all the direct selling companies, other than Avon who did get their license. Which the fact that they did get their license I think bodes well for the fact that the license will be granted in the near-term. It's just what is the near-term. If you remember back to the regulations to allow direct selling in China, they were originally supposed to come out in December of '04 and they were delayed significantly.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

Yes. We know that the timetable is always concerning. But now more philosophically, right. Given that many of -- and I know that you guys are sensitive about making commentary about competitors. But broadly speaking, there has been a lot of noise from many competitors and disruption, changes. Given that direct selling is so sensitive to image and excitement, any change in the marketplace how let's say consumers and potential distributor have a different perception about direct selling in China?

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Is that a risk? Given that we're hearing from many places that things are not going as planned, that somehow that creates a negative momentum overall.

Greg Probert - Herbalife - President, COO

No. I don't believe that, Javier. I think that's an insider industry view of what's happening in China. I think the average person on the street that's either a potential distributor or customer isn't privy to all the things that are going on in the industry and the regulations. All I know is that Percy, we're opening our stores and we're seeing great enthusiasm for the Herbalife business and for the concept of direct selling.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

Okay.

Greg Probert - Herbalife - President, COO

The idea of owning your own micro business, the idea of getting great nutritional products from Herbalife is something that's very exciting to the consumer base and potential distributors in China. So it's just one of these things where we need to work through the government issues and we're as optimistic about the potential of the market as we've ever been.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

So your sense is that the public opinion, the media and all that in China is still, I mean, is positive or at least neutral to direct selling?

Greg Probert - Herbalife - President, COO

Yes. I actually think its positive. We've spent a lot of time their doing press, either Percy or Paul Noack, who goes over there on our behalf. I was there last time and did a lot of press and I think that's true of all U.S. direct selling companies, is that there's a very positive image of what's happening. I think it's just more, like I said, wading through the government issues.

Javier Escalante - Morgan Stanley Dean Witter - Analyst

Oh, that's great. Thank you, guys.

Michael O. Johnson - Herbalife - CEO

Why don't we just take one more question.

Operator

Ezra Solomon from J.L. Advisors.

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Ezra Solomon - *J.L. Advisors - Analyst*

Hi guys, congratulations on a really good quarter. I just had follow-up question on Scott VanWinkle's question about the balance sheet, the relatively small sum of debt you have on the balance sheet and the relatively generous free cash flow you guys are generating. And how do you think about initiating possibly a share repurchase program as a possible use of cash, an alternative use relative some of the other things you mentioned.

Rich Goudis - *Herbalife - CFO*

Ezra, I'd just reiterate what I said with Scott, is that we're well aware of all the different alternatives as it relates to improving our capital structure and returning the very best to our shareholders, both public and privately-held. And we are currently underway looking at a capital strategy for this Company and I think you just have to stay tuned and we'll see where it goes.

Ezra Solomon - *J.L. Advisors - Analyst*

Great. Thanks so much.

Rich Goudis - *Herbalife - CFO*

Okay, thank you. I'll turn it over to Michael for closing comments.

Michael O. Johnson - *Herbalife - CEO*

Well, I'll thank you all for being on the call once again. Obviously we're very pleased with our first quarter. We think there's a nice momentum building in our Company and we've invested quite a bit of time, energy and resources into seeing our Company grow.

As we see the benefits of this investment, we want you to be assured that we are continuing to laser focus on our SG&A in this Company. In fact, we are looking very closely at our organization, how we spend money, where we spend it and it is going to, we believe, give you a better view into our Company very soon. And we're going to be looking at some opportunities that we believe will control our bottom line even more vigorously.

As we said, we had another record quarter. It gives us a great reason to recognize the success of our distributor leadership and they have to always be mentioned on these calls because they, in their strong unity and their energy, are at the basis of the success of globalizing great ideas and all of the benefits that we're seeing from implementing our strategic initiatives.

I also want to thank and congratulate Team Herbalife, the employees who have done such a spectacular job in our Company during the quarter and over the last three years.

In the next 12 weeks, as we've spoken about, we will see more than 50,000 distributors in events in Bangkok, Thailand, Las Vegas and Athens, Greece and we invite any of you to join us there. We're going to be hosting three major Extravaganzas and as Greg mentioned, we're going to be having meetings all over the world. And we'll see more distributors than ever before.

We have tremendous momentum in our business. We still have a lot to do. This Company is still - and I've said it to many of you face to face and will continue to say - its in a fixer-up stage. We believe that the best days of this Company are still in front of us. There's a lot of headroom. We're very excited about the opportunities and we're really just getting started.

So, my final statement is the best is yet to come. Thank you very much.

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Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect.

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