

SAFE HARBOR STATEMENT

- This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” and any other similar words.
- Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:
 - any collateral impact resulting from the ongoing worldwide financial “crisis,” including the availability of liquidity to us, our customers and our suppliers or the willingness of our customers to purchase products in a recessionary economic environment;
 - our relationship with, and our ability to influence the actions of, our distributors;
 - improper action by our employees or distributors in violation of applicable law;
 - adverse publicity associated with our products or network marketing organization;
 - changing consumer preferences and demands;
 - our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our distributor relations and operating results;
 - the competitive nature of our business;
 - regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products and network marketing program, including the direct selling market in which we operate;

- legal challenges to our network marketing program;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third party importers, pricing and currency devaluation risks, especially in countries such as Venezuela;
- uncertainties relating to the application of transfer pricing, duties, value added taxes, and other tax regulations, and changes thereto;
- uncertainties relating to interpretation and enforcement of legislation in China governing direct selling;
- our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy, Chinese legal system or Chinese governmental policies;
- our dependence on increased penetration of existing markets;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of trademarks and other intellectual property rights;
- product concentration;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our distributors;
- product liability claims; and
- whether we will purchase any of our shares in the open markets or otherwise.
- We do not undertake any obligation to update or release any revisions to any forward-looking statements or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Participants

CORPORATE PARTICIPANTS

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*****please see clarifications to management comments on pages 23 and 30.*****

Page 6 (old): We got involved with The Global Alliance for improved nutrition where 20 micronutrient sachets are going into the horn of Africa branded Herbalife in there.

[clarification of management's comment: "...where 20 million micronutrient sachets are going into the horn of Africa branded Herbalife.]

Page 23: "We want you to believe in our future. We want you to understand that we have a lot of visibility into the business and that we are always ahead of the curve, we always know what's coming next. "

[clarification of management's comment: "We want you to understand that we have a lot of visibility into the business trends which we believe gives us the ability to get ahead of the curve and impact the business. "]

Page 30: And, then as far as the actual barriers, I'll be very candid with you; we actually don't really see any.

[clarification of management's statement - "And, then as far as the actual barriers, I'll be very candid with you; we actually don't really see any executional risk. " Please read Risk section of Herbalife's 10K filed February 21, 2012. Available at <http://files.shareholder.com/downloads/ABEA-48ZAJ9/1415266140x0xS1193125-12-70421/1180262/filing.pdf>]

Management Discussion Section

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

...Investor Day this morning. And to those of who you've been up with me since, at Boot Camp since 6:30 this morning, we are not in need of coffee this morning. To those of you who - this is the start of your day, welcome and thanks for joining us.

I'm going to give you a quick rundown of what we're going to do this morning and then I'm going to turn it over to Michael. So we're going to start off this morning with an intro by our Chairman and CEO, Michael Johnson; he's then going to hand it off to our President, Des Walsh; then Rich Goudis, our Chief Operating Officer; and lastly, John Desimone, our CFO.

At that point, we'll open it up for Q&A. So, without further ado, I'd like to welcome Michael Johnson, to kind of give you all an overview on where we are and where we're going in the future.

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.

Good morning, everybody. Wow, applause from the financial community. You guys all right this morning? Having an out of body experience or something? But you know what's funny, I was walking in with Scott this morning and he said how's your job going?

And I said, it quit being at job a while ago. It's a passion now. And this company is reflective of the passion of our distributors, of our employees, of our team Herbalife, and it's really turned into something special. When I first came to Herbalife, it was a bit of a challenge for me to understand this industry to understand the marketplace.

I thought all businesses operate with content and distribution and what I didn't realize is our distribution was not bricks and mortar, it was flesh and blood. And it is a highly passionate, highly emotional, highly successful group of human beings who are like me, passionate about our mission.

The mission started by Mark Hughes in 1980 in this company to give people business opportunity and prove the lives of others through a mission that we call the nutrition mission in this company. So it's really, it's something special, so Scott needed me to pick on you so early, I usually wait for a few minutes to get at you. But, anyway, the company is in such great shape and we're so proud of what's taking place here.

And I'm going to start you with a little story, as I do stories, and some of you who are going to join us tomorrow are going to hear this story again, and I apologize for that, let me put this wire down here.

My daughter was getting ready her career day, she goes to a school here in Los Angeles, and they do a career day, where they join dads at work and she asked me if she could do that, and I said what's the date, and it happened to be a date that just didn't work out, she said, well, then I have to interview you for my paper that I have to do here, and then she got day off. She didn't have to come to career day, so I think she liked it better that way anyway.

And she said well, dad, what do you do all day? What do you do? Do you sell? Or are you in the selling side? And I said, well, you know, our distributors sell, and Des and Rob, they run pretty much the distributor side, but you know, I work with the distributors a lot and I give a lot of speeches and work with them.

And she says but you're not out there like selling, you didn't close a deal today, and I said no, honey, I didn't close a deal today. She is a pretty smart 16 year old. And I said, she said well do you do the marketing? And I said, well I'm involved in the marketing, the look, the concept, the touch and the feel of the company, it's just - but I'm not really the Chief Marketing Officer. We've got some creative people who do that. And she said, so you really don't do the marketing? And I said, well, not day-to-day, no, I don't do the marketing. So we went through this, well do you do manufacturing, unless Rich and his team; and legal, that's Brett and his team; and John and his team, and Amy they meet - and finance - investor.

She said, so what do you do? You don't do anything. Everybody else does everything in the company. I said, well honey, my job is basically to hire great people and inspire great people. And I have the one that, so I gave her little stories, I said, imagine on an island and we're looking for that boat to come in every single day. I'm the guy who climbs up in the tree with the periscope, looks out. I guess you don't go on a tree with a periscope, would they? Whatever it is, binoculars.

You go up on a tree with a binoculars and look out and see if the ships coming in and chart our course for the future. And that's what you're going to hear today. As you're going to hear this course of the future for this company that we are so excited about. And have so much belief in, where we're going and what we're doing with our products, and our people and all of the opportunities that we see in the company. So this week and I've got some notes here, we're celebrating reaching \$5 billion in retail revenue. I don't want to confuse, I think I'd confused the other day by somebody. But the \$5 billion in retail revenue, which is an achievement of Mark Hughes' dream, you'll see this on video. It's all over the place, this weekend when you come to our meetings. Mark talked about reaching this huge dream of \$5 billion in retail revenue and we did it, we surpassed it this year, we're at \$5.4 billion.

Tomorrow night, Saturday night, we will hand down an enormous amount of money to our lead distributors, which is creating another milestone for the company, an inspiration and motivation for the future as they bring new distributors in.

We're also creating a culture in this company around our vision, mission and values, which is our ethics in this company. And we believe that that is core to a great company period, but especially important in direct selling that sometimes has its own image issues and runs in through its own areas that we

want to create a different direct seller. One that's based in the highest level of ethics, the highest level of vision statement that gives our distributors an opportunity to be the best they can be.

Yesterday, I talked to them about appealing to their best angels in them about being better citizens in their community, because the wealthier distributors are known in their communities as the Herbalife people and how can they return to their communities. And that lifts our brand. And that lifts who they are. It gives them more of a feeling and responsibility. As you age a little bit in your life, you decide and you make decisions that, kind of the first part of your life is very economically motivated and then you get motivated by other things in your life. What am I going to give back? What am I going to do in my community? What am I going to do in my life? That's going to make an impression. Leave a legend behind. What is my reputation going to be?

And this is what we're driving our distributors. And you saw it last night, at our Diana Ross concert, you saw, because they all paid a lot of money to be in those seats last night. And we raised a lot of money last night. And it's important because we give back to the Family Foundation and we are now in 72 Casa Herbalife programs throughout the world and it's very, very exciting.

This year, not only that we're building a team for that culture, with wonderful group of leaders, Des, Rich, John and many are here today. We're building an incredible bench strength and they're all sitting back there and you have a chance to meet some of our regional leaders and some of our doctors and scientists who are here with us today and this is a sensational group that we built in the team. We're very, very proud of that and that's that hire, inspire and motivate side that's so important in the company.

This Summit Meeting that we're having here, and we call it Summit for the first days, until it leads up to the Mark Hughes' honors and bonus award, that is Saturday night, where we'll hand out over 350 distributors somewhere in the area of \$52 million, which is just exciting beyond belief for them. And there will be some big checks given out that night, and there will be some heart-stopping moments there. The air will go out of the room on a few of those announcements.

And you'll see some of the markets that are motivating. You'll see kind of a shift in the sea of change of different faces and personalities and nationalities that hit the stage. And that's all part of this, because then that motivates another group of distributors because they say, "how did Scott Van Winkle make all that money. I'm going to go do what he's doing." And that's what these meetings are about. They start to follow the progression of the opportunity of who's doing it better, how they're doing it, what did they do to get there, what can I learn. And that's all these training sessions that are taking place over here.

It's really, follow the money. It's like, it's always been in any business, but it's the same way for our distributors. They will follow success.

The approach also for us a City by City approach; they're taking and looking - taking and looking very carefully at what is happening in these cities where we're successful, and I'll come on to more about that in just a second.

Each January, I sit down and write a little letter to our leaders in the company. I used to do it just for my direct reports, and then Barb said one time, we should get this out in the whole company and now we get it out to the distributors too. It's just a - that break between kind of December 25 and January 1. It's a collective time. I'm usually up in the mountains and I have hours to sit and kind of reflect on where we are and where we're going, and each year has a theme to it. In this year, our theme is build it better.

Let's be the best we possibly can be with everything we're doing, whether it's the product side, whether it's the distributor services side, whether it's our marketing, our selling, with everything we're doing inside the company. Our supply chain, which Dave Pezzullo runs so well for us, is just, how can we do it better? And you'll see a lot more about our Seed to Feed initiative in here and what we're doing.

So, take the time. We were, kind of, in our first part of this decade, really rushing to get things done, because we needed to give our distributors so much with so many tools and advance the company faster. And now, we're not slowing down, but we're taking the time just to make sure that we do everything with more precision, with more thought, what are the consequences of the decisions that we're making long term. Can we see around corners better? Do we have the time to do that, to think about things, to make sure that the product releases are thoughtful, to make sure that the product categories that we are in and things that we're doing and the products that we're putting out there. Are they packaged great? Are they thoughtfully executed? Can our distributors display this company in the marketplace quicker with mobile technology and do things smarter and better for us to be in that mode of build it better every single day? So, that's our real focus for me, and it's making sure that our company and the infrastructure is in place to achieve all these goals.

So, let me do the real quick thing I always do, talk about our buckets in the company, our product. Our continuous improvement is the name of the game in our product, that build it better philosophy runs through there. The evolution of nutrition science, and you can talk to some of our doctors and we even had our head of science in the company dancing across the stage with Diana Ross last night. And that was a very interesting thing to see. And so, that's that personal side that's blending with his professional side. It was very interesting, but let's make sure that Herbalife is a leader in nutrition science that we

evolve, that we become a continuous leader in this area that we are looking at things.

And tomorrow morning, you're going to hear me dream on stage about our company 10 years from now. And speak about some things and of course, I'm sure Brett will make sure we put up all the statements that - forward-looking and all that good stuff that we'd put up. But tomorrow, we meet with the distributors, we show them a company, what is going to look like in 2020 and beyond. And part of this, the science that we're going to bring in, part of the, the ideas to take our Seed to Feed initiative even further, and more global and more places around the world and able to serve our distributors better, but also able to bring a better product for our consumers in a City by City approach, which focuses a lot on our consumers.

So, again, going back to that, inspire and hire and building the team, who want to make Herbalife the best nutrition company on the face of the earth and it's interesting to see a couple of weeks ago, a huge consumer products company kind of get railed on by its investors for trying to be too much of a nutrition company and pushing them back to be more of a packaged goods sugar company. And I was kind of chuckling to myself and say, "because we're the real nutrition company because these people, Dr. Ignarro and Bill Frankos who's back here, Dr. Gratton and Dr. Henig and Dr. Heber, what are they focused on every day? They're thinking about nutrition every day. They're thinking about how do we get the best nutrition in the world into people's bodies?" That's what we want them to think about.

We are going to of course be intelligent about margin and design of these products. But we're not going to be the ones sitting here going, "we'll take that out. We'll replace it with this because we want more margin, because we're competing on shelf with these four other companies here and if we don't have more sugar in it and if we don't have a sweeter taste to it, not that our products aren't going to taste great, that's we know a huge selling proposition. But we're not there, we're in the nutrition business and our goal is to be the best nutrition company on the face of the earth, bar none, and why not? I mean, we have the ability, the power, we are now building the supply chain, we are building an opportunity to do it. So, why not be the best? That what we're doing and that is part of this passion, it's part of this vision and mission that we're moving forward on.

You're going to hear Rich talk about how we're building the infrastructure to support our science and product development on our QA/QC all the things that we're doing to help build this company better every single day.

It's interesting what's taking place over there right now in the big room, which has kind of gotten me a little crazy than here, not too crazy, it's great to see you guys, but we're launching the 24 fit video, which is another wonderful

project. We hired this guy who is a physiotherapist who is one of the top guys, he's trained Olympic athletes to get together with these two personalities; and Samantha who is the lead personality on this tape has become already part of the team here, she's loving Herbalife, running around here 24 hours - kid her all the time, but we've come out with a whole fitness regimen in here for \$49.99. It's a wonderful product that we're putting out here.

This basically, for many distributors, they'll be able to use this in their clubs. It's an opportunity for them to have basically a DMO in a box that they can put out there and our people come to the clubs and under 30 minutes have a regimen for strength, core strength, stretching, flexibility all the different things that they want to get into, and I think we gave it to all of you - Amy did we give it to them or giving it to them? It's in your packets and you've now got a personal trainer in there, which is a fantastic thing to have in your life.

We're pretty excited about this. This is a fitness and science-based product that progresses your fitness through stability, strength and the power to have a great core in a sustainable way. And this is a guy who started this thing out really thoroughly. So, it's not one of these beat the crap out of you videos. This is a sustained growth, I guess, beat the crap out of you isn't very financial, is it? But that's the way I talk, guys. What you see is what you get with me.

So, business opportunity. Second bucket that we always - we do always talk about the product, the business opportunity, the brand, and the image in this company. And every executive you talk to in this company is either part of one of those buckets or understands them, and that's the way we speak consistently to our distributors. We speak obviously to our investment community, to our board, our employees, so the language is the same. We're a business opportunity that we see ourselves as a global nutrition company that uses a direct selling channel to optimize the person-to-person relationship.

Daily consumption is creating long-term customers in our company and that's all there is to it, I mean, Des is going to show you a multitude of facts and figures about this. It's exciting what you're about to see from him, he's going to make an analogy to Reykjavik, Iceland and that you keep your head tuned into. Des, are you going to make that one today? I hope you're making. You are now, I guess, now that I've set you up. But you've heard me in the past talk about wider and deeper more markets on a broad base. We're in 81 markets now and going deeper in those markets.

And the exciting thing is to talk to distributors today, who are getting checks out of communities versus out of countries. Now, there's nothing wrong with getting checks out of countries, and a lot of our senior distributors have checks on the 30, 40, 50, 60, 70 countries because they win early. They opened up. They've recruited. They started an organization there and then they move to the next country. What's really exciting is to see communities of 200,000,

300,000 people creating President's team members and there's a lot of those communities out there that we barely scratch the surface with.

We got our hands on a McKinsey report recently, which maps the economic power of cities, and so this City by City approach which is not new in the company. Actually, Mark Hughes spoke about this in the 1980s and 1990s, but our focus on this is analytical and Des will go into that a little bit more, is to work with our team back here, our regional teams to give them the tools and the information and John will show you some of that, in order to have an analytic breakdown of these cities, so we can look at distributor, momentum, progression in these cities on a distributor-by-distributor basis to get performance orientation around the opportunity of the business in order to build a stronger consumer base business, consumption base business in each of the markets we're in. It's very exciting what's taking place in our focus, in our planning, is more intact today and better thought out than ever in the company's history and it's fabulous. So, you'll get a lot more detail on Des and John on that. Our brand and our image and I'm going to skip over, I'm going to - had a few more points on that, but I know Amy's going to throw me out of there in just a second.

So, I'm going to go to brand and image. We're in the confidence marketing business and identity marketing business. You don't hear about that. Most consumer products hear about GRPs and TRPs and how are you going to reach consumer, I know that we're pretty well, and was there for 25 years, understand how to get a product out of shelf and get consumers driven into our front door and hopefully consume it, through high velocity sales and get volume and margin to meet those retailers' needs and play that game very well. But that is a - it's a different world that we live in here.

We want the confidence of our distributors to be the passionate expression of this product in the marketplace. And the way we do that confidence, and the way we build that confidence is to put our name on these jerseys to have the world respond to us and see the Beckhams of the world and see the Messis of the world with Herbalife on them. And create an opportunity around our eight Herbalife 24 product line to build authenticity around those athletes, so what's on their chest, hopefully, is in their body, not all the time because we're working to that end and we'll get their one of these days, but creating authenticity, distributor activation around the branding of our company, whether it's through sports, whether it is through the activities that distributors themselves do in the communities or through our regional marketing or local marketing funds that go out and do unique things because we have a variety of activities that take place through these marketing funds on a global basis.

We have badminton players and cricket players, we have swimmers in Italy, we have volleyball players, we have all sorts of different sports, adventures and ideas going through in Russia where our brand was hurting kind of badly, and

we went to Spartak. The lead team there years ago, they wouldn't even talk to us, and today they wear Herbalife on their chest, because they see the momentum of the company and Des will - I don't know if he's going to show you some specific Russian numbers, but they are just incredible what's taking place there in terms of the recruiting, retention, retailing of our product. Des, I'm changing your presentation, as we speak here, but he's looking at me, going, "no, I'm not".

All this branding and image also helps us recruit better people inside the company. Puts us more on a - kind of a consumer products level, brings more people and identity to us, gives our team more confidence about it. Interesting, Barb gave me this statistic in 2004, we had 1,400 positive press clippings go out for us throughout the world. Last year, we had 14,000. This is the difference in the company. We're starting to lift all the boats in the harbor with the high tide of positive information about this company and what's taking place in the results.

Community service, and I think those of you who are there last night saw our clip about the Herbalife Family Foundation and what we're doing. But we have not only the company, we have distributors who are active out in their communities now. We're trying to drive this more and more, not just for the business purpose, but for the purpose of a rounded human being on the face of this earth because we think this company does have a social mission and a social opportunity to make this world a better place. And I know that sounds a little preachy and high level and there's a few executives running around saying those kind of things right now. But as you get older, you decide giving back is as important as what you take and this is something that we believe strongly within this company and all of these people connect in hundreds of ways around the world in addition to the Herbalife Family Foundation.

So, right here in Los Angeles, we just signed up two Casa Herbalifes, I mean we've had one for a long time, a place called Home. We deal with the Union Rescue Mission. We do a thing called Big Sunday here. We're doing all sorts of things in our communities here. And we're hoping that leads the opportunity for distributors to grab a hold to do the same thing. We took over the Los Angeles Triathlon. We renamed it the Herbalife Triathlon Los Angeles. And this was a marketing idea that said, look, if we named this the Herbalife Triathlon Los Angeles and we've got this tremendous amount of people, employees, distributors participating in this, there'll be a sea of green out there in that one of the largest triathlons in the world. Distributors could do this in their own community. They could have the Herbalife Triathlon Maracaibo, Venezuela or Herbalife Triathlon Guangzhou. You figure it out.

We get the distributors who activate on that and say, take your local event over, call it the Herbalife Triathlon city name and there we did a little negotiation to get that done here. And it was a very, very positive opportunity.

It is a very positive opportunity for our distributors to activate the brand on a local basis, in cities of 5,000 people up to cities with 5 million people.

We also, through DSM, one of our partners, one of our nutrition partners, and give Rich a big nod for this one. We got involved with The Global Alliance for improved nutrition where 20 micronutrient sachets are going into the horn of Africa branded Herbalife in there. *[clarification of management's comment: "...where 20 million micronutrient sachets are going into the horn of Africa branded Herbalife.]* So, it's a way to get our brand in on the charitable backbone but the opportunity eventually for us to get in Africa is something we got an eye on. It won't be part of anybody's investment picture or financial picture for quite some time but down the road, as we build the brand in there, through that opportunity, for people to become familiar with that leaf and who we are and what we do in helping people to help themselves, Africa becomes a very interesting opportunity somewhere down the road. I won't talk too much about that.

Continue to build the brand to support our values in these ways as well as we do through sports and fitness activities. Last week we announced a 10-year relationship, unheard of in the world of soccer. We went to the Galaxy and we were talking about a typical extension, two, three, four years with them and we said, what about a 10-year deal? And they almost fell off their seats. I mean it's a 10-year deal. And we said, yes. Let's do a 10-year deal because you're our team. We are identified with you. Our distributors identify with you. We have our own team and that's what we tell distributors. We told them, look, you have 2 million plus distributors and their customers around the world who are Galaxy fans, are buying your jerseys, they're watching your games as you travel internationally. You're showing up. They're part of you. You've got Irishmen on there. You've got Brits on there. You've got Brazilians and Mexicans, I have to always have to say that for Des. They've got Robbie Keane on there for the Irish guys. But it's a global team with a global footprint. Beckham did that.

We believe that helped us sensationally. Obviously, it's the number one selling jersey of all time, the Sir David Beckham Herbalife jersey which is obviously very good for us. It's a mobile billboard, running around the world. And we think that this is going to continue because with the financing that they have now, they have really set themselves off. They've got a broadcasting deal and a sponsorship deal that puts them in a \$100 million range of income for that team, they can go out and get great players. They want to win championships and we've given them an incentive in our deal to win championships.

So we like winners around here, and so, we said, you win, you'll get a little more money. But we also did something unique with them. We put in a \$2.5 million community service program inside that deal that we are controlling with them. And so, we announced last week a \$1 million grant to a thing called the Children's Institute here which is going to build a new facility in Watts,

which will hopefully have some type of athletic addition to what we're trying to nudge them for maybe an Herbalife field out there. We're kind of excited about that and the Children's Institute here is our 73rd Casa Herbalife program.

So, product, business opportunity, brand, all the great things that are happening in this company. So, let me close with something here. You know that we use Leo Messi, kind of the, if you will, the Michael Jordan of the soccer world. Not probably as well known here in the middle part of the country, but anybody who plays soccer knows Leo Messi. This guy is a phenomenon. At 24 years old, he's a living legend. He's become the top scorer for Barça who he plays for, which is the FCB, Football Club Barcelona, Barça FC. And he's hit 234 goals at 24 years old. This guy eclipsed the number one player. And I think the guy was in his 30s when he got the 230 goals. So, here's a guy at 24 and he doesn't seem to stop. He scored three goals in a game this week alone. He's a living legend as I said. He loves Herbalife. He's become part of us. We've taken him to Casa Herbalife programs throughout the world. He's incredibly happy to participate. I think he likes the kids more than he likes us. He's just one of these magnetic personalities especially for kids. But he's also involved in our social media activities. He's been hugely popular and incredibly powerful for us.

His first post about Herbalife on March 6 reached 90,000 people within 24 hours and then they reposted out. It makes an incredible connection between HLF and Messi. He likes Herbalife, if you all know what that means on Facebook and he talks about drinking the shakes. We did an ad with him in China. We played it here where we're taking him - a fish out of water. We had him playing table tennis, ping-pong, unusual, put him - this soccer star in different sport and, of course, he hits the winning thing with his foot, right, the winning shot with his foot.

And so, Leo Messi is a huge part of this company. And we will continue to work with him and build on that opportunity because he reaches and touches so many people through the Internet, through social media, through television, media or through his success on the pitch, so we want to give you guys a first - you're the first one to ever see this because we're going to launch this tomorrow for our distributors. This is our new ad with Leo Messi, again, a fish-out-of-water story. And I just want to - I'm going to step down after this, say thank you very much for being here today, let's take a look at Leo Messi. I appreciate your all support and taking the time to be part of Herbalife, thank you.

[Video Presentation]

Desmond J. Walsh
President, Herbalife Ltd.

So, good morning everybody. So, gosh, looking over that and over this group, it's good to see so many old faces here although I guess, I should say, familiar

rather than old. So, can I ask who is up this morning 6:30 going out to the fit camp, okay? Wow. Okay, congratulations. Okay. So, impressive, right, to see that number of people out there and joining and then the club afterwards.

So, obviously, here, we're in distributor mode. So, congratulations. Here you are. You're in the midst of our President Summit 2012 where we've got well over 3,000 of our top distributor leaders from around the world. And some of the elements in the presentation that I'm going to give you today, I actually shared on stage with this leadership group yesterday because obviously, what we're talking about is not just what has got us to where we are today but most importantly, why we believe that this is going to continue long into the future. And I have to tell you, the response was tremendous. It was excitement. It was cheering. It was the occasional standing ovation. So, if any of you feel the same way today, okay, I just want you to know you're totally comfortable if you want to get on the chairs and stand and cheer in the course of the next 30 minutes.

So, this is the - this event is a celebration. And what you're going to hear, of course, is that we're celebrating a number of things. First and foremost, we're celebrating the vision of our founder, Mark Hughes, in Herbalife achieving his dream which was for Herbalife to achieve \$5 billion in retail sales.

And when you look at this chart, what you see obviously is this tremendous picture of growth over last number of years. And you're used to seeing net sales numbers - we actually show this in terms of volume points because, obviously, volume points are our internal currency, which are not currency-related.

And what you see is literally this tremendous pattern of growth. And even in 2009, in the midst of this worldwide economic meltdown, you see this continuous growth year after year. And in 2011, we achieved this incredible goal of our founder, Mark Hughes, to achieve \$5 billion in retail sales. So, when you see that \$5 billion, you hear people talk about that. That's what they're talking about.

But this is now the Herbalife Decade. And what Michael Johnson, our Chairman and CEO, has said that he's now set a new vision because these visions are hugely aspirational for our distributor leadership, and now Michael's vision is to set us on a chart or a goal to achieve 10 billion volume points by 2020. And that's what we refer to as the Herbalife Decade. And as you know, effectively, we're well on our way to that. We're going to be talking more about that.

But what matters to us, of course, is not just this tremendous growth. What matters to us is the underlying factors beneath that growth, which indicate the sustainability of that. And so, let me share with you a number of those. So, first of all, you see obviously our increase in net sales in 2011, an increase of

26% over the prior year. Volume points increased 21%. But it's really the other numbers that are hugely indicative to us about what lies ahead.

So, new distributors, critically important because obviously what - a key driver of our growth is our ability to bring our products to market. And in our business model, that's represented by new distributors coming into the business.

New sales leader is hugely important because it's at this level that people effectively begin to build a down line organization. And those are the people that they bring into the business and they train and mentor to become successful distributors and build their own organizations. So, for us, this indicates the pipeline of future growth. This statistic, though, is hugely important, because what matters to us is the engagement level, particularly at our supervisor level and what we are seeing is that in recent years you've seen a constant increase year-by-year in the number of active supervisors or active sales leaders. And we measure this basically based on the number of the percentage they are ordering each month. And this to us indicates an engaged, active, supervisor, sales leader with a stable base of customers. And, of course, what matters is, that if I'm a successful distributor with a stable base of customers, then why would I ever leave the business? And what we see is there is a direct correlation between this number and our supervisor retention rates.

So, those of you who were with us a year ago, you know that we celebrated the fact that we had achieved a record level in Herbalife of 49% retention last year. And what we spoke about then was that we believe that in 2011, we would actually eclipse for the first time that magical threshold of 50%. And yet what you see here is that we didn't just achieve that 50%, we absolutely blew through it. So amazingly, 2011 record retention of 52%.

Now, Michael modified my presentation a number of times in the course of his comments. And one of the things he referenced was Russia. But frankly, Russia is very much worthy of mention because in Russia we have a distributor leadership group who've actually focused on a number of things that I'm going to talk about. But just to share with you some stats in Russia, in 2010 Russia had volume point growth of about 30% but they had supervisor retention of 70%. And just to give you an indication of how difficult that - what a challenge that is, you're familiar that in many businesses, you've got two choices. You can grow sales or you can grow margin, but it's really difficult to grow both at the same time because if you're a traditional retailer, normally one comes at the expense of the others.

And in nutritional direct selling, there's something similar. Sometimes it's possible to bring a lot of people into the business, but when you bring a lot of people into the business because you've got to train and mentor those people, sometimes your retention suffers. In Russia, the ability in 2010 to grow at 30% and to have 70% retention really raises a new dynamic because now you've got

substantial growth and you've got substantial retention. And of course what we did is we highlighted that for a distributor leadership group around the world so we could adjust their thinking and help them aspire to a new level. And guess what, because of the things that are driving our business in Russia and are being duplicated around the world, in 2011 the business grew by 50% and yet retention rates increased to 77%.

And that's a very important message because although we're very proud that on a worldwide basis, we now have 52% retention. What we're now doing, of course, is we're focused on how do we get that higher. And of course because we're in more than 80 markets, it's not an overnight thing but obviously what we're really focused on is spreading the same business practices that have driven that incredible performance in Russia and have that duplicated around the world.

So, now let's talk about two of the key elements that are really the pillars of this success and why we believe that these are continue - will be continued and are sustainable. The first thing you've heard us talk about this so often is this whole question about daily consumption. So, let me again just define very briefly what is it that we mean by daily consumption. And essentially, it's any business method which focuses first on the creation of lifelong customers and then secondly, where there's greater interaction between the distributor and those customers than under traditional business methods.

And again, if I can try and give you an analogy between this business and other businesses, years ago, I was part of a company called DMX Music and we had two elements of our business. One was the installation of sound systems in commercial locations. And then the second part of it was the subscription music service once that sound system was installed. So, we had many of our sales force who were focused primarily on the systems installations because there was large dollars involved and that was their preference versus the subscription service, which tended to be a much lower but obviously an ongoing income source.

So, traditional direct selling tends to focus on recruiting, bringing people into the business. But in recent years, we've actually focused more and more on the whole concept of creating a more sustainable business model, based on the creation of those permanent customers. This was the - and the genesis of this was obviously in Mexico with the foundation of the new fishing clubs. But essentially, what we have seen is this change of philosophy focusing on creating permanent customers has really introduced a new dynamic of stability to our business. Because if my business is traditionally focused on bringing a lot of people into the business, then by definition, my income, and my sales may vary significantly, if I've transitioned to a daily consumption business where it's a focus on a large number of customers, maybe much lower volumes individually, what it does is it creates a more stable business.

So, let's look at a number of things here. Obviously, there's a number of different elements to this. So, you hear us talk a lot about the clubs because frankly the clubs are the most visible manifestation of this. It's possible to go and visit clubs as many of you have. But there are many other elements to this. You've heard us talk about weight-loss challenges where groups of people come together. And it's not just about - it's not just about introducing people to Herbalife, it's about educating our customers on how to continue to maintain their weight loss and their nutrition goals.

We have this worldwide program about have you had your shake today? And the purpose behind that is to get people to realize that we want them to start their day with a healthy shake. And the key here, of course, is that creates a permanent customer because it's no longer about weight loss, because traditionally sometimes in weight loss, once people achieve a goal, then they no longer continue with the products.

So, for example, I'm not sure if people here still go to proms. Do people here still - so, if I'm going to my prom, okay, I guess, I wouldn't be going to a prom, but I guess if other people are going to a prom, right? Okay. What happens, you want to lose a few pounds to go to your prom, right, okay? But here's the problem, the day after your prom, what happens? You no longer feel the need to continue with the products. The whole program behind have you had your shake today is that it's not about short-term weight loss. This is about a change of mindset which says that every single day, I'm going to start my day with a healthy shake.

Another similar program is a whole program about what did you have for breakfast today? Again, the same comment - program. It's all about creating permanent customers based on substitution of a product of - for a Herbalife shake for a meal.

So, let's talk about the impact of that. So, what we see on a worldwide basis is that we believe that approximately 34% to 41% of our business is now focused around this whole concept of daily consumption. And again, this isn't an exact size, but we actually accomplish this calculation using a variety of different techniques including the number and size of orders each month, because what we see is that as our business transitions, instead of our distributors placing in small quantities of large orders, which traditionally mirror their customer base because they may have had a limited number of customers buying large quantities of product.

Now we see the business transitioning, because now we've got a much larger customer base, but maybe focused on a few key products. But what that translates into our distributors making more frequent purchases of larger orders. And Rich is going to speak - of smaller orders and, of course, Rich is going to speak to this because that has an impact on us from a distribution

infrastructure point of view. But obviously, this is something measurable and it's one of the ways that we measure this transition to daily consumption.

Another thing that's really key here, of course, is that when we look at this new model, it's no longer about discretionary spending, because what we're really doing is we're replacing a meal. And when you replace a meal, now, of course, you've expanded your percentage of addressable population, because it's no longer discretionary dollars that we're seeking to attract. What we're doing is we're simply saying, let's replace an existing high-calorie, low-nutrition meal with the opposite, with a low-calorie, high-nutrition meal and let's do it at an affordable cost.

So, let me share with you some of the impact of this whole philosophy because it really has been dramatic. And let me go back and remind you that - and let's talk specifically about the nutrition clubs. The nutrition clubs, as you know, began in Mexico by two of our top distributors when they turned a frustration into an opportunity.

And the frustration that they had was that in Mexico, the base diet is one which is nutritionally poor but very high in calories. And yet, the people who could most benefit from an Herbalife shake were, in many instances, the people who could not afford a monthly program. And so, what they did was develop this concept of nutrition clubs where people could pay a daily membership fee and have access to the product at a much lower cost. And again remember, this is a replacement strategy. And of course, the impact of that was tremendous.

So, let me share with you, obviously, just some of this and obviously you've seen the story of Mexico. This tracks it just from 2009 through 2011. But you know that Mexico, many years ago, was a business that was doing about 200 million volume points a year, successful market. But following this transition, this adoption of daily consumption by virtue of the expansion of the addressable population, the actual volume points per capita increased dramatically.

But here's the first thing I want you to look at is this, on a worldwide basis, despite the tremendous success we've had, despite this 13% CAGR, the reality is, today, is that we sell less than 1 volume point per person per year in the markets in which we're operating. And that is - and that's why when you hear Michael talk about the fact that we're just getting started, we truly believe that, that the runway ahead of us is absolutely huge. And the indication of that is when you compare this worldwide number with the volume points per capita in some of our established markets.

So, obviously Mexico is one of the markets where we have this tremendous increase in daily consumption, but look at Korea because, as you know a

number of years ago, our Korean leadership visited Mexico. In fact, three of our President's Team members, one of our top leaders all went to Mexico roughly about five years ago. All three of those President's Team members by the way are now Chairman's Club members. So they've accomplished huge growth in terms of their organizations. But as a result of what the Koreans learned from Mexico, you see this tremendous increase in volume points in that period.

So, here is the future that lies ahead for us because obviously today, you see that we've got this tremendous adoption of daily consumption in Korea, and you've got volume points at 7.5, 6.2 in Mexico, U.S., 3.1. Now, you know that we no longer break out our numbers between the Latino group and our, what we call the general market, primarily because what we're now seeing, of course is that many of our Latino distributors, the new generation, are totally acculturated, and they're actually recruiting English speaking distributors because to them there is no bifurcation.

But you know that in our Latino group, we had this tremendous increase in the adoption of the clubs because of many of our Latino groups came from Mexico, and we ended up literally with 10, 11 volume points per person. But on a worldwide - on a total U.S. basis, still only 3 volume points per person. But now what we see is the growth in adoption of nutrition clubs in our English speaking market. And that's why we're seeing this tremendous growth now taking place in that market. But this gives you an idea of the runway that lies ahead as we see daily consumption business methods adopted in other markets of the world. And obviously, let me just reference here, obviously Russia, you see here at 0.3, 0.6, doubling in just this period. And then the other one I'd point out to you is India, because obviously, India is the classic example of a market where traditionally the percentage of the addressable population was relatively narrow. But now, with clubs and daily consumption business methods, the opportunity for us in India is very significant and you can see already a quadrupling in terms of our business in India just in this period.

Now I know, when we talk in terms of markets like India, there's a question mark there because even with clubs, the percentage of addressable household is much less than it would be in markets like the U.S. and so on. But this gives you an indication of what that percentage is because what we've done here is we've identified addressable households, either in terms of earning greater than the \$5,000 or alternatively greater than \$15,000. And what you can see is that even in markets like India, literally significant percentage of the population. And you also see these emerging markets where you see a positive trend. So, as these markets continue to grow as their productivity continues to grow, it does two things, first of all it creates more customers for us and then at the same time the introduction of daily consumption business methods, mean that even the existing population now finds our products affordable.

So, here is an indication of the penetration of the future possibility. So, again, here's where we are today in a market like in India, market like a China, look at where we are here today in Mexico. So in terms of percentage of population, earning greater than \$5,000, you see here that we've got this incredible number of 27.5 volume points. And again, this gives you an indication of the market. Huge markets here, Brazil, Russia, India, China, and you can see that we're barely scratching the surface. So, in terms of the opportunity that lies ahead for us to create more customers, we believe that there's this tremendous runway, tremendous opportunity ahead. So, how do we take advantage of that? This is how.

So, what you're looking at here is a typical chart where we see the impact of daily consumption business methods. So, it starts with this whole question of frequent interaction. Because what we want is that we want to create this one-to-one relationship between our distributors and our customers, which is the magic of our business model. Because if I'm buying traditional products off a retail shelf, I don't have that ongoing training and mentorship and support that will keep me on that program, that's what's unique about our business model. We have this frequent interaction.

Secondly, we have this socializing and sense of community. So, how many of you have visited clubs? I mean, I hope all of you have. I mean, what you find there is this tremendous sense of support and sense of community. And it's that socializing and sense of community and recognition that really creates the stickiness. So, let me ask you how many of you go to Starbucks on a regular basis. Okay. Okay, a lot of you probably go to Starbucks. I bet many of you go to Starbucks probably once a day. Have you ever had your photograph put up in your local Starbucks, okay? I'm betting you probably haven't, okay, okay. And yet here's what happens, guys, okay, you go to a club, you get rewards, right? You get badge, you get merit, you get your photograph on the wall for achieving certain goals.

So, we've got this whole infrastructure that creates this sense of community, the socializing, the recognition. Obviously, basic human needs. That's what creates the stickiness of customers. Obviously, when you've got customers attending clubs, when you've got frequent interaction whether it's in clubs or elsewhere, between a distributor and their customer, what does that drive? It drives product results, product usage and compliance.

And again, the important thing is this, at Herbalife, our distributors are not selling products. What they're selling is results. And the results come from using the product, right? It's the same thing, by the way, with the gyms. You don't get fitter or lose weight because you've got a gym membership. Guess what, you've actually got to go to the gym, okay. That's what most people forget, right?

In January, they sign up for the gym, okay. By March, they haven't actually gone and they're thinking this gym thing isn't working for me. Okay. That's what happens, that's why the gym business you got to change subscriptions, right, all the time you've got that churn. So, here's what happens in our club context. You've got the frequent interaction, you've got the socializing, you've got the product usage and compliance, and that creates product results.

And when people get results on the products, that's what creates long-term customers because it's working for them. So, it's hugely important to understand this because now when we look at the clubs, we actually look at two things. We look at frequency, how often people attend, and we look at longevity. And what we see here is these extraordinary statistics, U.S. over 55% every day. Mexico we're 50% over 30% of club customers attend on a daily basis. And then longevity, we recently did this survey and we found U.S. greater than 50% over 6 months, Mexico over 45% and Korea over 30%.

But let me put these statistics for you in the context of a story. So, when we have a new board member join us, one of things we want to try and do is have them understand the heart and soul of Herbalife, because we don't want our board members, we don't want our investors, we don't want analysts, we don't want you to think of this just as another balance sheet, just another company. Because if you understand the dynamic that is driving Herbalife's growth then that will really help you understand why we're so passionate about the future.

And so, one of our new board members, I actually took him one day to visit a nutrition club, literally just about five or six miles from here. And we went early in the morning before the club opened so we could introduce him to the distributors who were running this club. And this was a small, cinderblock, one-storey, very modest home owned by our Latino distributor. And when we arrived at the club, we met this distributor and we actually met his father-in-law. And the distributor explained to us that since he had started nutrition clubs, he had just recently become a President's Team member and so, he was no longer living in this house where he actually started the club. He actually had now bought a beautiful new home in the valley.

But his father-in-law who had now signed-up under him was now operating this nutrition club. And with our board member, we said great, wonderful, and help us understand your life before Herbalife and after Herbalife. And what this distributor explained to us was before Herbalife, he actually had been a professional rodeo rider in Mexico at which he earned \$900 a month or the equivalent.

Now, by the way, in Mexico, that's not an insignificant income. The problem, of course, of being a rodeo rider is your professional life is somewhat limited, right? Okay, because this isn't something you can do. So, he had found Herbalife, come to United States, build a successful business, had just become

a President's Team member. That month, he told us, his income was somewhere between \$15,000 and \$16,000.

So, from our board member's perspective, he's going, wow. Okay. Now, I understand the financial opportunity that comes with this Herbalife business, right, \$900 rodeo rider, \$15,000, \$16,000 New Herbalife President's Team member. But then, he was talking and said, well, gosh, that's wonderful, tremendous absolutely. So tell me about your club. How does it work? And he said, how often do your customers come and so on? And literally we were standing just inside this - this home literally just has two or three rooms, right. So we are actually standing in the living room and the front doors here opening out onto the street outside and there's sort of one-step up. And right as we were having this conversation, he was saying, how do your members come, how often do they come? Literally, right at this moment, right at the door, this delightful elderly lady arrives outside. Now, I have to tell you, if we had gone to Central Casting and asked them to send us the perfect grandmother, okay, we could not have found a better person. This is a sprightly elderly lady. And so, she comes there, she looks in and sees these strangers and immediately she looks a little startled, and we said, oh listen, please come on in and so on. And this is a delightful Latino lady, literally, spoke no English. And because the board member had just said, how often do customers come and why do they come? We said, listen Jeff, let's ask Maria.

Okay, so he said Maria come in and said, will you introduce yourself. As so we said, hello and he said, why did you come and how often do you come? And here's what she said. She said, I've been coming to this club for six months. And she said, I live about a block-and-a-half away. And she said, when I first came to this club, it was my daughter who came, who brought me because she had been a member of the club. But she said, when my daughter came six months ago, she had to help me come here because I really wasn't very good. I wasn't getting a lot of exercise, whatever. But she said, now, I come to the club every single day because, she said, now, I can walk here alone. And if you think about it, an elderly person living alone, she's not getting any exercise. She's not getting out. She's eating a poor diet, not high in nutrients. Now, she's coming to our club and she's getting protein and nutrients, and now, she's getting exercise every day.

And then we said, well, how often do you come here? She said, I come every day. Wow, he said. Why do you come every day? And she said, because this club is now my life. So, if you think about that, think about all the things we've been speaking about. The frequency of interaction, the product results, the impact on people's lives, the socialize and the sense of community.

So, from our perspective, what we see is that this frequency and longevity is driven by the stickiness of this business model and the fact that it's not just about good nutrition and product results and how this elderly lady has more

energy and is getting exercise, has embraced, if you like, what is, for an 80 year old, a healthy active lifestyle, coupled with good nutrition. That is the overall impact of what is happening with daily consumption. And again, why we believe that this whole concept of frequency and longevity is something that's going to remain with us. So, again, it's a question of the stickiness of the business model, this whole focus on daily consumption that is actually driving our business around the world.

So, that's talking about daily consumption, talking about that impact. Let me talk to you now about the second thing and that is our whole city by city approach. So, the city by city approach is something that we already have spoken of in broader terms in recent analyst calls, when we've spoken about the concept of regionalization. And as a company, what we began to realize some time ago is that if we really wanted to go deep. Because if you think about it our wider, deeper strategy that we've outlined to you as part of the Herbalife decade is based on two things.

The wider part is about expansion of markets. So today, we operate in a little over 80 countries. The goal is to grow it to 100 countries in the remainder of the Herbalife decade. But what would really drive our growth is not the addition of new markets but it's really going deeper in addition markets. So, if you think about it, if you assume that we've got a population of, say, 5 billion people in the markets in which we operate, then we want to go to 2 volume points per person in order to accomplish that 10 billion. And today, as you saw, we're about 0.8 volume points.

So, therefore, in terms of going deeper, what we want to do is go from 0.8 to 2 volume points. So what we're thinking of is in terms of our regionalization strategy, is that we wanted to grow outside of the major metropolitan areas in some of the smaller cities. That was the genesis of the concept. But as always our distributor leaders are often a little ahead of us. And of course that's the magic of Herbalife is that you're not just relying on a handful of corporate people to come up with these bright ideas. We have over 2 million highly entrepreneurial, highly intelligent distributors and they are also coming up, and in many instances, way ahead of us with these ideas and all that we have to do is see how can we support those ideas and help expand them. So the concept of city by city is really a concept which says this from a distributor perspective. Our distributors are used to thinking organizationally. So I respond to the needs of my up line, I'm in touch with my up line and my down line. I think organizationally.

The whole city by city approach for our distributors says think not just organizationally but think geographically. And what geographically means is that I work not just with my upline and down line but now I work also with distributors from other organizations that live in the same city or the same community as I do. And what really turned us onto this whole idea was not just

the fact that our distributors, we saw our distributors moving in this direction, and frankly one of the markets they were moving most rapidly in this direction was in Russia where we were seeing this tremendous increase in both the volume points but also in terms of retention. And so when we dug into more of what was accomplishing we realized that they had embraced the city by city. But then we had what we refer to as our own light bulb moment. And I think you're all familiar with sort of that light-bulb moment. It's when something really goes on, if I can ask without being personal, how many of you have significant others? Right, okay, you have significant others. Right, okay. So that light bulb moment, right, that's when you realized many years ago, oh, my goodness, this is the person. This is the one for me. This is the person I want to torment for the rest of my life, okay. That's the light bulb moment when you realize that's who it is, okay.

So we had a light bulb moment a while ago because in our chart, you've seen us use these charts, what we talked about increasing volume points per person. And you've seen that the fact that we show Mexico and we see the growth from 2 to 6. And you've seen us show Korea. You've seen us show U.S. Latino. But you've have seen show Korea going from whatever, and Taiwan 9 volume points per person. But those of you who've been with us a few years, you've often seen Iceland on that chart and you see that Iceland is always up there 17, 18 volume points per person. And traditionally, we have always said, well, Iceland. I mean my goodness, it's this island out in the middle of nowhere. I mean, it's frozen half the time of the year. I mean, what else are people going to do but have healthy shakes and so on, okay.

But here's what we didn't realize and this is the light bulb moment, is that we realize we should think of Iceland not as a country but as a city. Because the reality is that in Reykjavik, something like 90 something percent of the population live in one city. And if we had thought about that, we would have actually had a different perspective, but here is the perspective. Why is it that Iceland have achieved this extraordinary success? It's because when you only have a population of 300,000 people and when you're out in the middle of nowhere, it creates this tremendous environment for a city by city approach. And the elements of a city by city approach are first of all united local leadership. It doesn't mean that all the distributing leaders in Iceland get along with each other or love each other. What it means is they realize that when you're living in a small isolated community, everybody has a shared responsibility for that market. And so even if they follow different business methods or different approaches, even if they have different up lines, guess what, they think geographically because they're all there on that tiny island.

And so what we're doing is this, two things happen. First of all, they take responsibility for their city because in that small environment, if I have got business practices for example, with a low level of retention, because maybe I'm not training my people as well or I'm not mentoring them as well, it affects

everybody in Iceland, everybody in my city. Because of course, when we got low retention rates it means that people are not speaking well. They say, yeah, I tried it, it didn't work for me.

So in Iceland, every leader takes responsibility for their city. That means meetings and trainings to embrace that new distributor, to train them and mentor them for their success. And it implies a shared commitment to brand enhancement. Michael, I, Rob, literally, it must be on a weekly basis, we get e-mails from our distributors in Iceland about various sporting events because in Iceland they have what they refer to as local heroes and these aren't high-paid, worldwide athletes. These are local sports heroes. But local sports heroes are happy to wear the Herbalife gear for product.

So the costs of sponsorship on the local city basis are relatively low. But the brand awareness and the brand image created by local heroes, frankly in that community is just as strong as having Lionel Messi wearing Herbalife honestly.

So what we've done is we've said, guys, there is an Iceland in every city around the world, and what we need to do is that we need to have our distributor leaders have that light bulb moment and have just like in Russia, just like in Iceland have everybody have that responsibility. And so what we did is that we identified a number of different cities around the world where we've seen this philosophy embrace and where we've seen the impact. And what you see by the way is this tremendous impact of that. So obviously, Korea, we've seen this tremendous thing. We've seen volume points per person go from 4.8 to 7.5. But look at Seoul, Korea, a population 10 million people but we've got volume points per capita of 10.3.

I'm going to show you a whole variety of different cities here from around the world. Here's Poza Rica, Mexico, a population of just half a million, but again you see the impact of a city by city approach. Dramatic increase where you've got the leadership have come together and said, let's make something happen in our city. Here's another one, Salinas, USA up in California. Look at this tremendous increase. And again around the world, the same thing in Brazil. You see this, Brazil, obviously increase overall but look at the growth individual cities.

So, what we're doing now is that more and more we're actually fostering this whole concept so that we literally have distributors in all of these cities embrace the concept of city by city. What's the opportunity? The opportunity is huge.

So on a worldwide basis, there are 3,000 cities with a population of greater than 100,000 people. So our goal is to create leadership groups with our distributor leadership in every one of these cities so that literally, on a city by city basis, we've got a group of distributor leaders who are focused on meetings,

on trainings, on brand, on ensuring good distributor practices and so that that city will have a greater level of growth and a greater level of activity.

And if I can again, go back to Russia and just give you an example. So, when you look at Russia and you see how is it that a market can accomplish successive growth of 30% and 50% and yet drive retention from 70% to 75%, it's because of this city by city approach. So in Russia today, there are almost 60 cities with individual leadership groups that are focused on creating the atmosphere and the environment in that city for success. And what's astonishing to us is that when we look at the supervisor activity rates in some of those cities, they are off the chart. Cities for example like St. Petersburg are - and I may get the pronunciation incorrect, [Novodvinsk], thank you, okay. Where we've got supervisor activity rates in excess of 90% and when you've got supervisors ordering, when you got 90% of supervisors ordering in a monthly basis then guess what, that drives supervisor retention of 90% and plus in that city but just think about our brand image in those cities. Obviously, it's huge.

And let me just reference something else that Michael referenced. So, traditionally in Russia, direct selling, multi-level marketing has not had a very positive reputation. And yet, last, I think it was July or August, we actually had a Russian speaking extravaganza in the Ukraine. And a journalist came down from Moscow to that event and this is an event that Michael wasn't speaking at and so I did the media interviews. And this is a journalist from one of the most prestigious magazine, business magazines. And traditionally, at some of these media interviews, their opening question is not always positive. Particularly in markets, frankly, where direct selling and multilevel marketing has not traditionally had a positive reputation. And this is something that we're relatively used to.

But in this particular case, this journalist's opening question was completely different from what I expected. And what he said was, I've been following Herbalife now for more than 10 years. And he said, traditionally, my perception of Herbalife was a very aggressive recruiting company, traditional MLM. I can't believe the transition I have seen in the last three years, how have you accomplished this? Wow. Nice way to start an interview, right? But of course, the reality is it's not the company has done a lot to accomplish this. What has really changed is our business practices and the city by city by focus. The company has obviously supported this but when you've got a market now with more than 75% retention, so that 75% of the supervisors say wow, this is a solid business opportunity. When you've got the type of sponsorship activities, where we are the sponsor of Spartak, one of the top teams in the league, when you've got brand engagement, supervisor engagement and lots of successful customers attending nutrition clubs everyday and saying this club is my life. You can see that over a very short period of time the tremendous impact that has as consumers change their perception of what Herbalife is.

And the last thing I would mentioned to you is this. We referenced earlier on, Seoul, there's tremendous growth in Korea. Again, very similar situation. In Korea, again, a market where traditionally MLM has not had a positive reputation and where because of that it's one of the most tightly regulated markets in the world, literally in the last six months, Herbalife has received two major brand awards for meeting media outlets. And when we dig into it, what we realized is that in Korea Herbalife is no longer considered a direct seller or a multi-level marketing company. We are perceived by customers as a nutrition company.

And we are a nutrition company that uses direct selling as our channel. Why? Because obviously every single day we've got whatever thousands of clubs throughout Korea with customers attending those clubs getting our product result experiencing, socializing, a sense of community and recognition and therefore having a tremendous new perception of Herbalife and our distributors. So again as we look to the future, I hope that gives you some indication of what it is that has fueled our growth in recent years but most importantly the opportunity and the runway that lies ahead.

So somebody said recently, I think obviously you've all heard this quote - the definition of insanity is to do the same thing over and over again and expect a different result, okay? Well, guess what? The management of this company, we've been described by many things but fortunately insane is not one of them. I haven't seen that in any analyst report recently, okay? So, on the basis that we're not insane, we're going to continue to do the same things over and over again and you know what? We're going to expect and achieve the same results.

So, guys thanks for listening this morning, I know that none of you jumped up and down, no standing ovations, but I'm hoping that isn't an indication. Thank you, Tim. Okay, Tim's going to lead the standing ovation this year. But again, thanks for your attention and it's great to see you. We look forward to seeing you next year. And again next year, I hope that every single one of you will actually be up at 6:30 in the morning and participating in that club. And here we are by the way, this is the vision Herbalife around the world in all 3,000 of those cities. So again, thank you. It's been a pleasure and we'll be around to see you afterwards, okay? Thanks again.

Let me - so, one of the things that I love to do is to give Rich headaches, okay? And the best way to give Rich headaches is to frankly have sales grow way, way faster than he could possibly imagine. And so, everyday, that's how I get up in the morning saying my goodness, how can I really give Rich and his supply chain team a headache today. So unfortunately, I hasn't really succeeded, because he's kept ahead of us every single day.

Rich, over to you. Okay, good luck.

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.

Des has this saying amongst others, but he talks about confidence. And as we were preparing for Investor Day, what we want you to walk away is confidence, right? Confidence that we have a vision, that was Michael's section. Confidence that you walk away saying, I can see that double-digit of 13% CAGR that Des showed you. I see now the way that they're going to get there. And in my section is going to be a confidence that all the backend side of the business is going to keep pace with that as Des just said. And as Des says, with confidence, nothing else matters and that's what's going on this weekend with our distributors, right? But without confidence, nothing else matters.

So, let me share with you the thoughts in the backend of the business and supply chain of how we're going to support the growth of the business and support daily consumption. How we are going to act globally, but act locally and create pride and confidence to our distributors in every aspect of the business?

And talk to you about some of our key strategies and then give you examples of how those strategies are going to come to life. In the areas of Seed and Feed, which is our - all-encompassing, if you will, very distributor-facing phrase that captures everything from where the product has grown and how it's grown, to how it's delivered and then what forms it's delivered to our distributors.

Leveraging technology, as you know, we had a high-touch, low-tech start in the 1980s and 1990s. We've shifted that dramatically to retain that high-touch that Michael talked about with our distributors, and now have significantly increased our high-tech approach to the business.

And then lastly, increasing Distributor Access Points, when you see those 3,000 cities that just lit up on that global map, the ability to go deep and penetrate deeper, we believe has a direct correlation to how we support that business and that product access in those cities.

So, let's first look at Seed to Feed. When we meet with regulators, and let me pause for a moment, if there are people that think this industry is not regulated, whether it's our food products or our nutritional supplements either here or in the U.S., you are sadly mistaken. This is a very highly regulated industry. And if you have those types of questions, I encourage you after this session to meet and spend some time with Dr. Bill Frankos. Bill joined us about two years ago. Bill was the former head of the FDA's division on nutritional supplements, so quite insightful, as to not only how the FDA was operating two years ago, but more importantly, the vision, the strategy where it's going.

But when we meet with regulators around the world, these are typically the three questions we get asked. Number one is what's on the label, in the bottle?

Number two, is what's on the bottle good for you? And number three, do you know where the ingredients came from? So the way we internalize those is quality, science and traceability. Now, let me take a little bit of time and walk you through how we're operationalizing that.

So first, quality, I won't go into depth on each one of these slides, but - whether it's method development, our testing for stability, our label claim verification, impurity and metal testing, temperature monitoring or our sample retention. This same process is used and this rigor is used in the development of our products, every single time we reformulate a product or develop a new product. But more importantly, this is the rigor that we go through from a production standpoint around the world.

Excellence in Science; we're very fortunate at the top - science, Dr. Steve Henig; and safety of our product, Bill Frankos. The way our scientists work in the company and the way we start to operationalize our products are by these heads in the middle, if you will. So, David Heber, Head of the UCLA, Center for Human Nutrition. David is sort of the pied piper, if you will, David, over the last nine years has assembled a lot of what you're going to see in his next two slides.

David's leadership is in the area for us mostly of Weight Management, although he scans all these categories. But Weight Management, when we say internally, what is a perfect meal? What is a meal replacement? We look to David to define that for us, and then our formulators design the formulations accordingly. And underneath this, we have category captains.

Targeted Nutrition, we're the only nutrition company in the world that has its own Nobel Laureate. And with us today, is Dr. Louis Ignarro. Lou has his name all over our Heart Health line. So again, I encourage you to talk to Lou and to understand more about where we're going in that field. Gary Small, world-regarded for our Brain Health and that's something we're looking for in the future. Sports and Energy, John Heiss, you get to meet him today. And Paolo Giacomoni, who joined us just about a year ago to drive our Outer Nutrition. And then lastly, those are the brains behind the science and the formulations and the product and then how that gets transitioned to our distributors is through Dr. Luigi, and he leads that initiative around the world.

Our categories as I mentioned, Weight Management is the focus of the company and what a beautiful intersection with the global obesity epidemic, right?

About six months ago, the Red Cross announced that more people died worldwide because of the complications due to obesity versus those people that died due to complications of being malnourished. So those lines intersected, and as long as Yum! Brands keeps on globalizing and doing well, we're going to have a Prez Team in that city for sure and we're going to

continue to grow our business with clubs in those cities where people keep on moving to the American way of life and diet and activity or lack of.

But the categories come to life under the doctors and that leadership. I want you to understand that. They're very visionary and have lot of influence in our design and the architecture of our products. And then we have marketing category captains underneath that both centrally and globally.

And the focus of our products is to make sure that the product support daily consumption, they support our brand and image, and enhance the distributor pride, confidence and excitement. So some of the things you're hearing over the last couple of days are new flavors like, Baskin-Robbins' 32 flavors, imagine if Baskin-Robbins only sold vanilla, right? It probably wouldn't have a customer base. Herbalife24, huge for the association with the sponsored athletes we have, and then distributor confidence and pride that continues on these next slides.

Our Nutrition Advisory Board, and at the influence of David Heber comes to life here. David is world-regarded for his profession and he has helped us assemble a group of over 20 experts in their field that bring education, training to our distributors in local market, local language, which is very important; but more importantly, credibility with regulators, and people of influence in that market, people we do clinical studies with and through, so this group is very impactful, where you can go and find out about some of the impacts that they're having is to the Herbalife Nutrition Institute.

This is a - just a quick flash of its website, but what this does for us, it allows our distributors a place to go with independent substantiation for maybe what they say is their personal story, right? Their personal story is, and you'll hear thousands of them next door, of weight loss, or whatever that story might be, but here's an independent way, and an independent message of - here is the impact of protein in your diet, and that's why you're taking a scoop of PPP with your Formula 1 is very important, et cetera, et cetera. So this is independent substantiation, and I encourage you all to go out and visit.

This is sort of the forefront. Not a requirement but we - today on a global basis, but we believe it's in our future, that complete traceability of the entire supply chain is going to be a requirement. So, we're getting out ahead of it, and we're doing that in the area that's probably lacking the most, which is the area of botanicals. And given that our name starts with herbal, we thought it was pretty important that we take that leadership from an industry standpoint and have complete traceability of our botanical ingredients. So what we're doing is we're working with UCLA to, if you will, fingerprint or have complete - botanical identification of the botanicals or herbs that we use in our products.

We are currently negotiating with different farmers in Hunan Province, where about 250 of the world's most popular botanicals are grown. We're building our own botanical extraction facility in Changsha in Hunan Province, which should come online in the next - hopefully next few weeks or months, Dave, which will give us the complete vertical on our botanical ingredients.

We'll - we'll then distribute those ingredients in packets or sachets and kits, if you will, around the world to our own H.I.M. facilities to then include in our manufacturing or to those contract manufacturers that are building the product for us. But what that does? It drives quality in at the front end. It drives confidence and for us from a standpoint of we know exactly what's in that product throughout its complete life cycle.

So, let's take an example of Formula 1. It's 32% of our global business and what are we doing as it relates to traceability? If you look at the label, so what are we looking at for vitamins and minerals? DSM global company bought Roche Vitamins about eight years ago. They are a global provider for vitamins and minerals. We have complete traceability through their science on a global basis of what and where those vitamins and what and where those minerals have come from.

The other key elements of Formula 1 on the bottom left, soy protein isolates, our key suppliers are Solae, which is a division of DuPont and ADM. Again, those are - 90%+ of our soy comes from those two on a global basis. We have a little bit in Israel and a little bit in India. Otherwise, the world comes from those two providers. Fructose from Tate & Lyle. Flavors and flavor houses on a global basis down to just a few. And botanicals from Changsha.

The focus of our manufacturing is to control - increase the control of our top products. You see these five products control or comprise 64% of our business and the top three support daily consumption or are found in the Nutrition Club, Formula 1, Tea and Aloe. What do we do on a vertical basis as it relates to powders and liquids, which is what you just saw.

In 2000 or before 2000, 100% of our product was manufactured outside. Today, about 30% of our products are manufactured internally and you can see the chart here as more capacity comes on and more projects are added, our goal will be to increase, but never be completely vertical. We want to have the flexibility, we never want to be over-capacitized. We want to also learn from partners that out there in the business on a global basis.

Here's sort of our vision for where we believe Formula 1 will be made by 2015. And here's our vision where Aloe will be made by 2015. And you can see very much supports what Des was talking about and where a lot of the growth is and will be coming from.

So very quickly, those are the Seed to Feed initiatives that we talked about a couple of years at Investor Day and then the continuation of those.

Technology and leveraging technology. Very quickly, we want to leverage our Oracle infrastructure. We made a massive investment over the last several years. And Oracle continues to stay ahead of us by adding in and buying companies that provides great functionality. We made a decision in 2004 that we wanted to be a global company not an international company. So what you find is that we run one instance of Oracle and then direct sellers, I don't think there's another person that runs a single instance, creates a lot more stress for our CIO. A lot more investment dollars, if you will. But you have to remember, in our company, excluding China, we run one marketing plan.

So, if you are a distributor in Paris and have a downline person in Honolulu, who has another person in Taipei and when that person in Taipei places an order, everybody sees real-time what just happened in their organization, all right? So running one instance is extremely powerful.

So, what have we done? Number one, we've created our own internal cloud. Now, there's no single point of failure in the global network of Herbalife. So, God forbid, if connectivity goes down in Hong Kong, the wires go clockwise and counter-clockwise around the globe, so that there's always a way to share and transfer knowledge and information, whether it's our Colorado data center which is a major hub for us, or our regional centers in Hong Kong, Los Angeles and in Venray.

And additionally, to follow this on we've globalized our workforce. So we have centers of technology in Bangalore, we have centers of technology in Guadalajara, Los Angeles, and we're building one in the next few years in Europe, to follow-the-sun support, the applications, the local language of our distributors.

And as you see the progress in Oracle, you'll always going to hear us talking about Oracle just because of this, because there's so many modules that we can add on and create more capacity, more capability and run one global instance.

And then lastly, it is the tools and the ability to help our distributors improve their businesses. Just like you have behind you, like that Verizon commercial, you have hundreds of people back at your home offices running all your technology and creating tools and applications for you to run. We are that team, if you will, for our distributors. And this is a great graph to show how fast we've been catching up in this regard and providing more tools in local language to our distributors and this momentum continues. And this is about a third or so of our strategic investments every year in terms of capital.

We're playing major catch up, if you will, from globalizing our online applications but we're at the same time leapfrogging to a mobile world. As you know and as we read, the world is moving more mobile, right, there's going to be more cell towers than land cable. So we're moving there very quickly and if you go to the Expo, you'll see a lot of this in action.

And then lastly is access points. Supporting daily consumption, you heard Des talk about a lot of the distributor side of that. What's most important is to support it from a standpoint of product and product access. Let me share with you some examples and then leave you with how we see the future.

So why is daily access, why is it important? Number one is to support the city by city initiative that Des just mentioned. Number two, improve the distributor experience, sort of like the Apple stores, right. When you come to some of the pickup locations it gives you that feel and if you're working in a home that Des just mentioned in LA that's a two or three bedroom home of cinderblock and then you go to an Apple store or Herbalife location, right, and see all this branding; it gives you pride and confidence, especially if you bring a distributor with you or our potential distributor.

The service of cash and carry, and we're going to give you an example of Mexico to show what we've done and the impact, and then simple, secure and sustainable is very important. Everything we do, we want to make sure it's a win-win for our distributors and for us.

So here is Mexico in 2008 and some data points I want you to focus on. In 2008, we had 20 pickup locations around Mexico, fairly big geography. Our market penetration was 5 volume points per capita and the average order size was about 268 volume points. And for some of you, I see a few faces that have been with us a very long time. In 2006, I'll remind you that we had 11 access points, okay. So what did we do between 2008 and 2011 was significantly increase the access points in Mexico. And our General Manager from Mexico is here, Miguel, you can speak with him afterwards and he was a champion of this. But what this did was increase our access points to over 300. Our market penetration followed because the ability of all those things that Des just mentioned now take hold in those local cities and towns and our order size dropped 188.

And maybe the reality is that the right order sizes, a can of Formula 1, a tea and aloe. And maybe that's the right order size for a real cash and carry sort of B, C, D level, socioeconomic level of potential distributors in that world. So, when we meet as an operations team, we challenge and we say where's your Waldo's? In Russia, that has 10 time zones, where is your Waldo's? In Brazil, that's just massive geography, where's your Waldo's?

In India, in Indonesia, and on and on and on and on and on, but until we find those Waldo's, these are the things that we're doing both on a large format, a

medium format and a small format to create more access points for our distributors. We have - at these large locations, we always have a distributor experience and you can see the LA up in the top left. Our medium format whether it's Seoul, Sao Paolo, I don't know why the photo didn't pop up but hopefully it's on your print out. Kiev, St. Petersburg, Caracas, the branding, the image of Herbalife springs to life in these facilities. These facilities are used by our distributors not just to pick up product but as to have that brand experience. They use them as training centers and training rooms or to hold their HOM meetings, okay. So our stores very much like what Apple has done, right, to create that branding opportunity, that's what we've done with our formats as well.

You saw as you were having a fresh start breakfast, some of the test or the beta versions we have now for kiosks or what we are calling automated sales centers, the one in the middle. We believe that there is a time and hopefully it's within a month or two that we will have 24/7 product access availability for our distributors. Secure, sustainable and reliable, we call her Angelina. And I was over in Europe last week looking at a prototype of this. It is expected to ship, just started testing this and interfacing with our distributors over the next several months. The center part of this, Angelina herself, is live next door, if you want to play with it and see the functionality. About 10,000 volume points, all the bad minds just chuckled. About 10,000 volume points and each one of it is left and right and we can add up to 40,000 volume points, if you will.

So think of a city like Moscow, right. You know the growth that we're having in Russia. But to get across Moscow, it may take three hours, okay. Not everybody who's running a daily consumption business and running a club has the ability to get in the car, or in a bus, or in a subway, and get across town, and go get the product and then come back. But if we had multiples of these around Moscow, where we just have a fulfillment capability, okay, think of the productivity that our distributors pick up. Think of one Starbucks, and does maybe - the famous Starbucks, imagine there's only one Starbucks in New York City. Think of the lines, right? And would you wait in line, right? So our ability to grow and go deeper in the city directly correlates to the ability to have quick, easy, efficient and effective access to our products. Angelina, we believe, is potentially that solution, so I'm going to leave with you a little bit of a video, and an introduction to Angelina.

[Video Presentation]

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.

So again, I want to leave you with confidence, right? Confidence that might focus in the support that I have from Des and Michael and the Board is to invest and stay ahead of our growth and for business, first and foremost. Number two is to support daily consumption. So every time that we think about how we're

going to apply our strategies, it boils down to how does that support daily consumption, does it help daily consumption. We want to globalize our business, okay. We no longer think of ourselves as an LA-based company or U.S. company. The executive team we have are executives now that have global responsibility. They are starting to find themselves sitting outside the U.S.

So while we want to run a global company, we want to think locally because that's where the opportunity still lies for us. To go deeper, we have to think locally, whether it's local flavors, whether it's local capabilities that you just saw. Thinking locally is going to get us deeper into the market and continue to propel that CAGR that you saw.

So again, with confidence, nothing else matters. Without it, nothing else matters. So thank you and I'll bring up John Desimone now.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Am I on? All I can think about what Richard's presentation was I should buy some sheers of oracle. But it seems like we're tied to them for a long time now. So I - most of you in this room have seen me speak quite a bit in the last two years and there's been a very consistent message, right, the spreading of daily consumption, which is the biggest opportunity that Herbalife has. But today, I'm actually going to go in a different direction. I'm going to dovetail off of both Des and Richard's presentations and talk a little bit about distributor metrics, and more specifically show you a demonstration of the type of visibility that we have. I think there's a perception that there's a lack of visibility in direct sales. And maybe traditionally, from a consumer standpoint that's true. But I think you'll be surprised to find out how much visibility we have and the type of metrics that we have. Then I'm going to do just a little bit on cost of sales and the impact FX has on it. It's very situational. It's really during times of high volatility of currency that that matters. And I'll finish up with use of cash.

So with distributor metrics, the one metric that we make available widely is distributor activity which is represented by the number of distributors ordering this quarter versus a quarter ago and how it's changed, right. So what the far right-hand column indicates is that in Q4 2011, there were 24% more sales, we're just ordering product than the prior year, all right. So that's an indication of activity, all right. But activity goes much deeper. You don't see it but we see it, and this is what we're going to show a little bit of today.

All right, activity or engagement level of our distributors are made up of a lot of different metrics, okay. IBPs, I don't know if everybody knows what an IBP is, that's the kit somebody buys to become a distributor, okay. The quality of the people coming in the organization, are they coming in and working right after they come in, or they're coming in and losing the discipline and leaving quickly, meeting attendance, retention, ordering trends, royalty overrides productivity

and then of course, retention, all right. Retention is a by-product of distributor engagement.

What I'm - we have three key tools we use for these various metrics. So there's Hyperion, Oracle tool. We use that for all of our financial reporting and sales data metrics in our financial consolidation. Then we use micro strategies for our core distributor analytics, any kind of deep analysis that we need to use, that's not already pre-programmed, and it's a very flexible system for us. What I'm going to share with you today is the far right which is our dashboard. And this is going to take a second to set up. We wanted to give you a live demonstration and I am going to do it live on my iPad. What you're going to see on screen are screenshots of what I'm doing live because we have a blackout of all the 2012 data, right. So there would have been a lot of information here that's not public so unfortunately, you're not going to see it the way I'm seeing it but you're going to see the screen of what I'm looking at.

So micro strategies, there's a lot of - and you're going to like the picture of this. This is going to be a real distributor by the way. You'll see a picture on here but we've substituted it with my picture. We've got a lot of different dashboards that we use. But if I go into the press team dashboard, all right, now what I'm doing here is live, right. This is through 3G live into our system, right. So this is a tool that management has everywhere they go in the world. Whenever they're meeting distributors, they have access to this information.

So this picture here that you can't see is the real picture of the distributor whose data you're now going to see. The blue bars on top are dropdown bars. You can pick a country, you can pick the distributor, okay. And the way to read this is you're going to see in some screens these yellow bars on the left and on the right. And the left are primary hierarchies and the right are secondary hierarchies, so I'll walk you through it. So on this screen, basic information, pretty simple information, distributors, contact, distributor's name, contract information, who their sponsor is, when they joined the company, when they qualified to be a sales leader, when they qualified to be a press team, what their volume is, which country. So we click Mexico, so it's picking Mexico's volume for that distributor then it's picking what their volume is for all of Herbalife, how much of their business is done in Mexico and what their production bonus is and what their rank is, okay. And the ranks, these are all the other distributors in Mexico, and we can scroll through it, and get anybody's rank, okay. Also, you'll see what their 2012 average is across, what are they earning their 6% bonus, and are they earning at their press team level.

When I jump to the next slide, you'll see some of the same information, volume points, royalty overrides, okay, so how much volume are they doing, what they did in February 2007, year-to-date, 2011, which is through February of 2011, right and I'll do it on here, I just slide over, and that pops up, okay, what they are, how many IBPs they have, which is how many packs they purchased, how

many new distributors they brought in, how many new supervisors they brought in, what their retention rate is for the people in their organization, how many people need to re-qualify, how many have re-qualified, what the percentage is and which method they've been qualified under and then what their organization looks like, how many Pres team, Middle team, GET team, World Team and active World Team, and Active World Team is going to be a new term for most of you and it's an important term for us as a company.

So when somebody becomes a supervisor, the next level in the marketing plan is a World Team, and there are three pathways to become a World Team member. Okay, one is consistent volume for four or six months. Another way is one month of significant volume, which is an indication of recruiting, and another is a royalty check. For those distributors that do all three in a six-month period, we call them active World Team and the retention rate of Active World Team members is 90%. So we not only manage it and measure it, we promote around it, because we know distributors who have a good balance of bringing customers in, retailing and then starting to earn a check are very successful. So it's an important metric for us.

Now, I'm going to go over to - I'm going to slide over the trends, you'll see the page, you'll see some things blocked out over 2012 is blocked out, okay? And this looks at - so now we're looking at a secondary hierarchy. So it's a trend IBP is the new sales leaders. So what does that mean? So a distributor buys an IBP, a supervisor buys an IBP, that's the red line, the blue line, this is their downline. This is their whole organization, how many IBPs they purchased and how many new sales leaders, supervisors have come in. And we're talking for as a gap, right? If there's no gap, that means they're converting pretty well, right? So it tells us that this distributor, when they're buying IBPs it's a good indicator of what their activity level is because they're following that up with people coming into the business.

We can do volume points. Again, volume points, this is - let's click it forward. So it moved over to volume points down - the red is personal volume points, the blue is organizational volume points, their entire downline, right? And you can see some spikes personally whether it's for event promotion, maybe they bought a little more product or maybe they went on a vacation. But it lets us know if there's anything skewed in the information that we need to look at, right? And you can see in their organization pretty consistent volume. It's a good sign.

One of the other features, I'll do this live here is you can annotate and send. So let's say that red spike we wanted to know what was happening. You can circle it, add a comment - add a comment, here it is, add a comment and say let's discuss.

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.
Sell more.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Sell more, whatever, right? And then you can email it. And it'll pop up as a screen and I can email it to whomever, regional management, can email to the distributor and ask him a question, but it's a very powerful tool, right, because it gives us actionable analysis to discuss with each one of our customers who happen to be distributors, and this goes down to - we can take this to a distributor level. So let me get out of this here, so I cancelled it. I'm going to, again, the key point, don't worry about the data, right, because this presentation isn't about the specific data you see on the screen. It's about the type of the data that's on the screen, the type of data that we have access to and the tool that we have. So this looks at royalty overrides. So this is earnings, okay, and again, red is personal, blue is downline, you're looking for gaps, this is pretty good performance. And then I'm not going to show the next one but it's Nutrition Clubs. Every piece of information you've seen so far comes from our system and we control it and we have great visibility and validation of it. Nutrition Club information comes from our distributors. So we don't publish that any longer because it's not coming from direct information we have. It's very indirect information.

Now we're going to go to retail. And what retail tells us is for this distributor in Mexico and in this distributor's business around the world, how much of their business is coming from the three core Nutrition Club products? So it lets us know what basically, directionally what kind of model a distributor could be running and how they run in clubs. It also tells us how many ordering fully qualified supervisors there are, what method they use in order of the products. So this tells you that 20% of the business is coming from the Internet. There's no mobile orders being placed, right. Mexico, they're not as far along in technology. 61% is the phone, 18% is walk in, a little very small pieces. Although like they could be buying at the event today or something like that, and it also tells us what state, what state the business is in, so 42.2% of this person's business is in one state, okay, and it's very flexible. You can move it around and see what other states there are.

And that is just a sampling of the distributor specific information we have. I'm going to go to states and a dashboard that supports the City by City, okay. There are - when I exit out of this one dashboard, okay, I can go to here and you can put in any distributor ID, don't have to be a sales leader, any distributor ID and get the distributor information that you want to get. So there's a lot of visibility into the type of activity each one of our distributors are engaged in.

So, I'm going to go to states. Now, again, just like I said before, the blue bars, what region, what country, what sub-region and then what state or city, okay? In this case, it's São Paulo, Brazil. And what it tells us is, so this is all volume points, volume points by sub-region. There is a chart that tells you what percentage of the business is in which sub-region. This, if you click over - so again, that's country. So we're still on country but now we're going to page two of country and this tells us within that country - or excuse me, within the city while we're in country. We're going to go sub-region and then state, how many World Team, GET Team, Millionaire Team or Pres team members there are, okay, how many clubs there are, again soft data, right, how many clubs there are and how many President's Team members there are and what the downline royalty overrides are.

When you get into page three, yeah, I'm going to skip through this pretty quickly, new distributors by sub-region, new sales supervisors by sub-regions, same thing for total supervisors and total distributors.

It's interesting when you go to the sub-region, now you get sub-region ranks by volume points, sub-region metrics. So now we're in the Southeast of Brazil. It tells you what the year-to-date volume is, this year, last year variance, what percent of the country's volume is coming from that sub-region.

And then you go to - you can keep going and it gives you different volume point trends, so for the state you can get IBPs, volume points, royalty overrides and Nutrition Clubs. When I jumped to the state, now we're in São Paulo, and it tells you how many Pres Team members, Middle Team, GET Team, World Team, no team members you are, what the retention rate are, how many fully-qualified supervisors there are on that state, what percent of the business is formula one, what percent of the business is tea, excuse me, protein powder, various product lines, right. So we ranked them. And again, it's interactive so you can scroll through it when you do a lot.

This looks at IBP for São Paulo, tells you how many IBP and this be a trend, right. I've locked it out but it's a graph that we show you trend by month on IBP sales. It would give you volume rank and all the other state metrics, volumes, how many orders, what's the volume point per order, what's the market penetration, so it's a lot of the information that Des talked about, it's in our system.

But the real strength of this, I'm just going to skip through it for time sake, it's the actionable intelligence that gives us to impact the business.

Okay and I guess we're running a little late so, I'm getting the sign. But again, the key takeaway, right, it isn't the data. It's that - we want investors understand the visibility we have into the business. The actionable analysis that this product offers us that our system offers us and then most importantly

the confidence. We believe in the future. We want you to believe in our future. We want you to understand that we have a lot of visibility into the business and that we are always ahead of the curve, we always know what's coming next. *[clarification of management comment: "We want you to understand that we have a lot of visibility into the business trends which we believe gives us the ability to get ahead of the curve and know what is coming next."]*

Now a little math test.

I'm sure that's what everybody needs, right? Cost of sales. So, let me start with just the key currencies. Everybody knows this is not new information, five currencies make up 75% of our currency exposure, the Mexican peso, Korean won, Brazilian real, the euro, the Taiwan dollar.

The uniqueness of what's going on now when the dollar is highly volatile is that it skews cost of sales in the short run and I'm going to give you an example of it on the next slide. A strengthening dollar, like we had in the fourth quarter, in the short term understates cost of sales, okay, which is why and we've pulled it out in the conference call. When you have a weakening dollar like we have in the first quarter, cost of sales and we overstated for one inventory turn. And I'm going to walk you through why.

And it's only for products made in U.S. but sold outside the U.S. in a different currency, okay. So I'm taking an example of a product that costs \$10, okay and an exchange rate make-believe currency of 5 to 1, which means it's on the local books at 50x, 50 whatever currency is, okay. The product - when the dollar strengthens and the product is not sold, it's in inventory. It's not going to get converted at 6 to 1, right. This is for an example when the currency devalued by 20%, right. So it's kind of extreme, right, which means it's going to be in inventory instead of \$10, it's going to be at \$8.33. And when it moves, it's going to hit the P&L for \$8.33, except it costs \$10. It's made in the U.S., right.

The next time this country buys the product, it will have to pay \$60, right. So in the short term, because this differential goes to CTA, right, goes to cumulative translation adjustment, therefore, it's going to equity, right. You see cost of sales being understated versus the run rate in Q4. You'll see it's slightly overstated in Q1 this year, because the dollar has strengthened and this is just the inverse. This is what happens when it strengthens, right. It goes the other way. So, you are 5 to 1. So it was on the books for \$50. When the dollar - excuse me, when the dollar weakened, it went to 4 to 1 which meant it hit cost of sales by \$12.50 a year - cost of sales is overstated by \$2.50.

It's just one inventory turn. We called it out on the conference call. I promise that I'll explain it in person, because it's too difficult a concept to try and explain on the phone. Just so when you hear about it at Q1, you'll understand it better.

And then use of cash, our priority are hierarchy on the left, debt service of course which is not a material need for us. We have very little debt and what we do have is entirely a revolver that's not due until 2016. Then it's always internal investments. I just want to explain this a little, because we tell investors to model 3% of net sales, right? And I think the questions has come up twice in the last two conference calls is that just a kind of - I don't want to say plug but how you get to the 3% and the 3% is really historical rate that we believe is appropriate for the company.

However, right, if we could invest 4% and get a required return we do it, right. 3% is really all we can execute. But the disciplined approach behind that 3%, that 3% is really just top level. Okay, we do a budget, it's a placeholder. Every project in CapEx then has to be submitted for individual approval, right. So right now it's a placeholder and it's an estimate for the year. The projects aren't approved, but they will be, right. So, it bottoms up, not tops down that gets to the 3%.

External investments are the next priority. We're not big M&A company. I think you all know that. But we do, do small M&A, right. We purchased iChange which is a technology company that helps our core Herbalife business improve. We've purchased a manufacturing facility, again, it's in support of our core business and one of our primary strategies. And then we purchased a really small product called Prolong that was a foundation for the Herbalife24 line. So if we do an acquisition, it's likely to be a very small tuck-in acquisition. It's not a material use of cash.

And then, when you finish with those three, what's left, well you can accumulate cash, which we don't do in material way, we return our cash to our shareholders through a dividend and through a buyback. We've returned since 2007, 100% of net income to our shareholders or just under 98%. We do overweight that total share repurchase because a share - buying back shares when you're a growth company is the most effective way mathematically, right, to return money to shareholders. Almost every time, we buy back stock, it's at an all-time high. But through the fourth quarter, our average purchase price on a buyback was \$24.03, right? So because we're growing, we know our - we believe our stock is cheap because we believe in the future which you've already heard a lot of the other executives talk about.

My favorite slide just shows the net income we've had since 2007, \$1.3 billion and our free cash, \$1.3 billion, right. So we are growing at 20-something percent right now. And we're still generating free cash that's equal to net income. It's not a capital-intensive business, generates a lot of cash flow.

So I'm going to do just one really quick recap and then we'll bring up the group for Q&A. You heard Michael talked about the future. Michael is a visionary. He always has one foot in the future. He keeps - makes sure we always have one

foot in the future. We have a one-year plan, a five-year plan and a 10-year plan that we do every year, okay. So we're always trying to think ahead.

Des talked about the key - probably the key opportunity for going deeper in the marketplace, which is breaking down this business opportunity, City by City. Rich talked about the execution credibility and the infrastructure readiness that we have to support the growth that comes from City by City. I hope what you took away from the demonstration, I know we went through really quickly is, that we've got - we have a lot of visibility into the business and that provides a lot of credibility. Actually, all four of those bullet points should hopefully help you all leave with a level of confidence that's higher than when you came in, that the performance of this company is sustainable. And that's really what we're trying to - the message we're trying to send today, right. Everybody knows we've had great results now for a number of years but we believe we're just getting started and hopefully that's the big takeaway.

So, with that, I think we're going to bring up the exec group. We'll do Q&A. Amy will walk around with a microphone because this session is webcast, so we have to use a mic when you ask questions in order for people who are listening online can hear the question appropriately.

Question And Answer Section

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

Okay. So, we'll start over here with Olivia.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Q&A.

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

Hold just one second, I'll just set up. Okay.

Olivia Tong

Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Thank you. Just wanted to ask about contribution margin over time. You talked a lot about different investments that you're doing and planning to do. Over time, where do you think margin tops out and what incremental needs are there? And then, tied to that, the dashboard, when did you roll that out if you have already rolled it out to distributors? And over a longer term period, how do you build on that going forward? Thanks.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Okay. So, the dashboard originally launched in 2008. The information that I showed you in the Pres team dashboard has been pushed on the BizWorks. So when we communicate with a distributor, they're seeing the same information we're seeing, right. So that's a huge benefit when you're trying to have an action-oriented conversation with somebody. Huge developments, I'll let Rich talk about. But let me come back to contribution margin.

We've said now, I think, for - certainly for a couple years that we believe the long-term contribution margin which means after investment in this business is around 20%, okay. That's on a constant currency basis. We've talked a little bit about currency. Currency matters, right. We're an international company but we have to convert all our results back to the U.S. dollar.

So where it goes, depends on the growth. We think the growth will be 20%, we recommend - we look at it in two-year buckets, okay. It's not short-term, it's two years, right. So if there is a blow-out quarter, the contribution margin will be greater. If there is a great year, it could be greater. The discipline we use, the way we manage it is - we have a budget just like every other company, and we got - we provide guidance off that budget, okay. We don't have a budget and guidance, we don't have a forecast and guidance, okay. And we try to keep the budget and then the subsequent forecast conservative so that we're not building an infrastructure that gets ahead of revenue, right. So when revenue is growing at 20%, we will under-guide, okay, because we don't want to put the 20% into a budget and then build an infrastructure for it. We want the revenue to be ahead of the infrastructure, okay, so that's one of the ways we get that to 20%.

And then, the deployment, any - I don't know if maybe Terry. And deployment of the dashboard with distributor, just BizWorks, that's okay. Olivia, we'll talk about that later. Right now, everything that I've showed you, distributors can see.

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.

If I can add, just what we did organizationally, Olivia, couple of years ago is we took one of our vice presidents out of the technology team and actually put him in the sales team and shifted an enormous amount of focus into this. In fact, what Michael says, we're a distributor-focused company. So unlike a traditional company that would have all their IT people in IT, we moved one of our key leaders in technology, Chris Morris, to a sales role, because it's like your BlackBerry or your iPhone that you have today, you probably use 10% of the functionality, right. And that comes with an owner's manual.

So all of those tools that we just showed earlier, okay, Chris' team, Terry is one of them, their goal is to make sure that the distributor leadership understands

how to use those tools and that technology so they can help themselves run their businesses better.

John, I was struck by the comment you made a minute ago that all the distributors have the dashboard. Does that mean there's a whole bunch of people walking around with material nonpublic information?

Well, they only have their own information.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Right. So the distributor can only see their downline, which they have access to, of course, so there is not - there's nothing out there that's nonpublic material info.

Okay. And then I was trying to be open to the aha moment or the epiphany moment of the city. We've heard you talk about this not that long but for, I think, maybe in the last - so should we be interpreting this as an important new initiative that is a growth driver that is of the order of magnitude of daily consumption or [indiscernible] ?

John Desimone

Chief Financial Officer, Herbalife Ltd.

So, I'll pass it to you in a second, let me just take a moment. It's not a new initiative, right, as Des said in his presentation. It started a while ago. It's really become a big push with us because now we realize the opportunity, right, because we've seen that we were looking at a geography as a - I was looking at a geography as a country, right. And I was looking at an opportunity at a country level.

And when we were trying to forecast the five-year plan a couple of years ago and I was looking at penetration rates, what was brought to my attention from the team is we have huge underpenetrated cities. And this isn't a big geography strategy. It has to be a little geography strategy. So it is still daily consumption being spread through that strategy that offers the opportunity, so I won't say it's on the order of magnitude of daily consumption, but we do think it's a big opportunity. I think the numbers show that it's a big opportunity.

I like the penetration per household metrics that Des showed, the one that's over \$5,000 in the emerging markets and over \$15,000 in the established markets because it shows that in those countries where daily consumption is already pretty established, we're penetrated much higher than we're on those

other countries which just to me speaks to opportunities. So, yeah, I think it's a big opportunity.

Desmond J. Walsh

President, Herbalife Ltd.

Yeah. So you've heard us talk about regionalization for probably a year or more now, where we actually have some sales employees that are not just based in our corporate office in each country but in some of the key cities. So, for example, we - a couple of years ago, we started here in the U.S, we have somebody based in Chicago, we now somebody based in Houston, somebody coming on in New York and so on. So we've already been focused in general but about regions.

So, in Mexico, for example, we had divide Mexico into six regions, but now we're going deeper, now we're looking at individual cities. But most importantly, this philosophy now is about changing our distributor mindset so that they think geographically as well as organizationally. And because - and we think the impact can be significant in terms of distributor engagement and activity in that city. Because, frankly, we want an infrastructure for systemized training because when the new distributor comes into the business, we believe that there's an infrastructure for training them on the products, training them on ethics, training them on how to create a positive brand image, these all things can actually contribute to their success, when distributors work together in that city. It's much easier for them to create that infrastructure, simply because you got the economies of scale of groups that are working together.

So, we think it certainly can be impactful and it's certainly an initiative of ours to really aggressively promote this and expand this. Again, taking the success of Russia and helping to expand that best practice of city leadership groups around the world.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Just one point of clarification, so you'll hear the term regionalization, right, and that's a term that's branded with our distributors. We've taken the geography down to smaller regions. We report in regions also which takes countries and roll them up. So, it could be a little confusing but one is more for financial reporting, the other is already branded with our distributors, and it means I look at it as localization but, so when you hear regionalization, that's what it means.

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.

Just to add one last - so how do we pay for that, right, what we're doing is we're centralizing a lot of our back-office functions to drive down the cost of

servicing the back-office tools or capabilities and we're taking that money and that's what Des is using to regionalize his sales team.

I have two questions. First for Rich, the - looking for the next Waldo's, can you give us an update on India? And then second, are there other markets where a Waldo's type of test is happening? And then before Amy takes the mic, Des, can you go through a little discussion about the IBP promotion in Latin America beyond what we talked about in the last conference call and what's going to happen there?

Richard P. Goudis

Chief Operating Officer, Herbalife Ltd.

So the first one, where's Waldo's or where's the next Waldo's is? In India, we had a sort of start and stop, we started a company called Spencer's and we just didn't feel like we had the same buy in from their management after we ran a small test. So now we're off with a second person which has I think more capability and more of a mindset like Waldo's but they see this as bringing people in and driving more customers. So, hopefully, maybe in the - not the next earnings release because it's only about five weeks away but maybe in the July earnings release we'll have a status report for you.

But whether it's a physical brick and mortar, Waldo's type of operation or whether it's - we're looking at cash pay-type opportunities where maybe you go into XYZ convenience store and on their cash register is basically a computer where they can take Herbalife distributor cash for an order that's placed and that's the payment scheme. And then they can just go to maybe Angelina and pick up the product. So we're looking at a host of different solutions and we're doing it on a regional basis. So there's a lot of irons in the fire at this point, and I'm sure given the global nature of business, they'll all be different in the local markets.

Desmond J. Walsh

President, Herbalife Ltd.

So, the - the welcome to Herbalife IBP promotion was a promotion that we did in South and Central America in over a 60-day period last year. And just so you know, in order for a person to become a distributor, they buy an IBP which is an international business pack. And in that pack are generally some products, some materials - some training materials and then a distributor application, and the cost of that IBP varies significantly around the world depending on the products that are in that IBP.

In South America and Central America, the price of that IBP relative to average income level is higher than it is, for example, in the U.S. And so what our distributor leadership did in South and Central America is they came to us and they said, we believe that this is a significant barrier to entry because, in

Bolivia, for example, where the cost of the IBP or effectively, the cost to become a distributor with in excess of \$60, that is significant investment for an individual to make before they really have confidence that this is a business opportunity that is attractive to them.

And so, one of the leadership came to us and said, look, if we reduce the cost of the IBP we believe we can bring a significant number of new distributors into the business. So what we did was we actually tried to benchmark what the cost might be against the certain metrics in terms of income levels and so on. So we didn't just take the IBP and drop it by 25% because what we want to do is put some sort of metric that said if this promotion worked and we expand it elsewhere, what should be a base point. And so, we did that throughout the countries in Central and South America. In some countries, the price reduction was very modest. I think in certain cases may be less than \$5. In other cases, like in Bolivia, it may have been significant and may just really had been 25% or 30%.

The promotion was very successful in terms of bringing new distributors into the business. I'll just speak roughly from memory, but my rough memory is that during the course of the two months, we've brought roughly an extra 60,000 distributors into the business. So it was very significant.

But for us, the true measure of the test wasn't whether we could sell more IBPs or whether we could bring more distributors into the business, the real test is how active and how engage and how productive those distributors are and this is something that we actually had addressed with the distributor leadership upfront, because all you do is bring in distributors but simply because it's a cheaper price and they don't stick around, then you really haven't accomplished anything. In fact, arguably, you could say we've actually had a negative impact because you have people who joined the business and say, "It really wasn't for me," right? So we're now tracking the productivity of those individuals and what we've seen is actually very encouraging.

What we've seen is that our distributor leadership in Central and South America, they're training infrastructure, has been adequate to cope and to train these new distributors. And although initially in the initial month or two months following this huge wave of distributors joining us, while their ordering rate and the amount of product they're ordering is less than those who purchased the higher priced IBP. What we're seeing is that by month three and four that delta is narrowing. So the test will be completed in a further couple of months and then we'll actually, we'll really do a thorough review and we'll discuss it with our worldwide Chairmans whether we expand it but suffice to say that the initial results have been encouraging enough to us that we're planning to actually repeat it over a longer period of time. Yeah.

Maybe this question is for Des. But just looking at the - what proportion of your business now comes from daily consumption piece of 35% to 40%, just kind of through the lens of what you're doing with your regionalization initiative, how do you think about where can that go in the years ahead and has that changed meaningfully over the past year or so?

Desmond J. Walsh

President, Herbalife Ltd.

Yeah. So, I think for us, we always look to countries or markets that are ahead of the curve to give us an indication of what the future can be. And to the extent that Mexico is the country where this whole concept of daily consumption really gathered steam, we look today at Mexico and what we see is that in terms of daily consumption percentage, we think it's roughly about 70% of the business.

So to the extent that we now see other countries on a similar path, we actually believe that 70% is a likely scenario for many, if not, all markets. But this is something that we're going to see evolve over time but - and obviously, be interesting hearing John's perspective, but if you ask me, I certainly think that 70% level is certainly realistic one.

So kind of along the same topic, the daily consumption percentage. Is that equivalent with percentage that's going through Nutrition Clubs, is that what that is meant to be?

Desmond J. Walsh

President, Herbalife Ltd.

It's actually a broader - because it's not just Nutrition Clubs. Nutrition Clubs, as I mentioned earlier, is sort of - is the most visible manifestation because you can go ahead and see them. But frankly, there are other business methods that are also focused on creating permanent customers so that the healthy breakfast program is similar and the healthy breakfast program simply is a training method which starts with my question to everybody I meet every day is, "What did you have for your breakfast today?" Okay. So if I'm speaking to a New York analyst, it's probably a coffee and bagel, right? Okay. I mean, that would be the typical answer. And then my response is, "Oh, my goodness. Wow, gosh." Because that's carbs and calories, right? And then I say, "But look by 10:00 or 11:00 o'clock, you're dragging, right?" because you're - and then - so it leads into a question that says, "Look, what you really need to do is start your day with a healthy shake."

So now, I'm convincing you to say this is a program for life, right, every single day you should swap out your coffee and bagel for a healthy shake. So part of that whole daily consumption is that whole program which is very significant. So Nutrition Clubs, one element - a healthy breakfast, the healthy shake, the

weight loss challenges, so Nutrition Club would be just one subset of a broader concept.

Okay. And following on, how are Nutrition Clubs is formed? Are they formed by distributors and then are people that attend and are members, are they distributors themselves or they - could you just kind of explain that a little bit?

Desmond J. Walsh

President, Herbalife Ltd.

Yeah. So that's the magic of the clubs, because when Mark Hughes started the company, he started on the philosophy of what we called "Tell-Show-Try-Do". And that's how many distributors have been trained for the last 30 - 32 years, but in the clubs they take it to a whole new level. Because the "Tell-Show-Try-Do" is hugely practical in a club environment, because what is happening effectively are customers are sitting around. And in most Nutrition Clubs they'll actually have a little poster or they have a leaflet that talks about the business opportunity. So - and of course you - and I can tell, right, you're coming every single day, you had a product result. And in my club what I see is that I'm making the shakes, a new customer comes and you're the one who says, "Oh my goodness, Maria, look, we're having a healthy shake. Look at my product result. But you know what? I'm also taking extra cal because as a woman, da, da, da, da, da. And I'm watching, and I'm saying my goodness, you are a prospective distributor. So when I say, something you're really good at this, would you ever be interested in opening your own club, and you say, "Yes", and I say, "Great. So here's what we're going to do, why don't you start helping me make the shake." And so gradually those customers become distributors and open their own clubs. And so it's this organic growth that has happened with the clubs that is really the magic.

Now, by the way, some of our distributors have put in systemized training programs. And so, you've heard us talk about some of these. But, where they literally have created an infrastructure because what they found, for example, was that in certain club cases, the club operator might be a great operator but maybe wasn't good at training or mentoring or encouraging you. So, in one organization, for example, they said, look, let's not leave it to chance. On a monthly basis, in my town or city, I'm going to have a training program for any club members interested in opening their own club. And so, now they say to all their people, listen, don't - you just identify the people and then you bring them to this monthly meeting and we'll create the infrastructure. So - but, fundamentally, the whole concept of the circle of success is create permanent customers first and then have those customers become distributors and then when they become distributors, teach them how to focus on creating new customers and that's that tremendous organic growth method that has come from the clubs.

Next question is - it's probably another question for Des as well. But, just in regards to the 10 billion volume point target for 10 years from now, how dependent is that on China and India growth? Obviously, they are a big part of the population. And, if you could also just talk about what you view as the biggest obstacle and if you could just talk a little bit about China I think specifically since it is a little bit of a different market for you guys.

Desmond J. Walsh

President, Herbalife Ltd.

Yeah. So, it is not significantly dependent on any one particular market because, as you see from the chart, we're literally at point A today; to get to point two is simply a combination, obviously, of adding a whole variety of different markets. But, frankly, we've always been very conservative about China. We believe there's a tremendous opportunity there but it's very much a slow and steady approach. What we see is that we've got various markets in the process of adopting and acculturating daily consumption. And, we're tracking those. So, at the moment really, if you think about the mature markets, we really - we think there are very few. Obviously, we've got Mexico, we have Korea, we have the U.S. Latino business. But, in the rest, we've got this huge number of countries where literally we're very much in the early stages.

So, India and China certainly part of that overall mix but not a significant percentage. And, then as far as the actual barriers, I'll be very candid with you; we actually don't really see any. *[clarification of management's statement - "And, then as far as the actual barriers, I'll be very candid with you; we actually don't really see any executional risk. " Please read Risk section of Herbalife's 10K filed February 21, 2012. Available at <http://files.shareholder.com/downloads/ABEA-48ZAJ9/1415266140x0xS1193125-12-70421/1180262/filing.pdf>]*

Everything that we look at, we just see this steady, steady progress. If there's a barrier, obviously, it's the one that Rich addressed, which is supply chain. Can supply chain keep up? In India, for example, we see tremendous opportunity there. But, Rich and his team are already ahead of that; meeting with local manufacturers, not just in the north of India, but in the south, and just seeing that they can keep pace with us.

So that's why I referenced earlier, my goal is to create headaches for Rich every day so that - because if there's a challenge, I think that's where it is. In terms of the tools that we're providing to our distributors, we are constantly focused on making our distributors more productive; hence, the whole issue of giving them tools like BizWorks so they can analyze their business, increasing product access because that's the other challenge, right? In many of these emerging markets, the ability to use credit cards, the distribution infrastructure for product deliveries is limited. So, we're overcoming that by

concepts like Angelina of getting product access to them. So, we're very focused on what are those barriers and how do we eliminate them before they even become significant.

[indiscernible] .

You've had such good success with such focus on driving retention. I'm wondering what's your list of top three items why people drop out now and how has it changed versus, says, two years ago?

Desmond J. Walsh

President, Herbalife Ltd.

Okay. Am I - can I get a dollar for every question by the way?

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.

Yes.

Desmond J. Walsh

President, Herbalife Ltd.

Because I think - okay.

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.

We'll put it in your bonus.

Desmond J. Walsh

President, Herbalife Ltd.

Okay. So, the number one reason why people leave the business is the number one reason why people leave anything, whether it's a relationship, whether it's the health level, whatever; it's because their expectations aren't met. So, what we want to do is that we want to create the right expectations for distributors coming in. In a way, that's one of the reasons why, for example, the club model, it has such high retention rates because, if I'm a customer in a club, my expectations are set because I'm in that environment every day. I know what I have to do every day in order to be successful. I can see what my sponsor - my potential sponsor does every day to be successful and, therefore, I know that my expectations coming in are, look, I've got to work hard. I've got to show up in this club every day. I've got to be nice to people, right, okay. So, the expectations are set coming in.

So, I think in terms of our training programs around the world what our distributors have realized is two things. One is make income claims realistic

because if income claims are realistic then people, when they come into the business, can say, wow, I can make whatever it might be. The second thing is have a realistic expectation of the work that's required because we have a huge number of successful distributors but it takes work to do that. And so, what our distributor leaders have realized is that right upfront, be honest with people regarding the income opportunity, both in the short term, but then show them the picture of what is possible because obviously many of our income - many of our distributors obviously have huge incomes. And, then the second thing is say, guys, there's a tremendous opportunity here but it's going to take hard work, it's going to take consistency, and it's going to take that commitment over a period of years. And, I think those are the things that are really driving retention, coupled obviously with the training and infrastructure systems behind that to help them on that road to success.

Actually, I have two questions; one was just an extension of that actually. So, you've seen some of these clubs adapt more specific training programs. I've seen a lot of clubs utilizing Club [CN] and - do you guys have any statistics on the retention rates where people are actually using those training programs versus a club that doesn't operate under one of those specific training programs? So, just wanted to see if there's any information on that. And, also you spoke a lot about supporting daily consumption with new product development and I know that's a lot of new shake flavors and everything. But, is there any update on being able to offer more products beyond tea, aloe, and shake at the Nutrition Clubs?

Desmond J. Walsh

President, Herbalife Ltd.

So, on the first question, no, we have not tracked retention rates, comparing different types of club operation. What we do see is that the systemized training approaches have a higher level of duplication earlier. And, the greatest example of that is Korea. So, the - when the Koreans recognized the potential that the nutrition model had for Korea, they instituted a systemized training approach rapidly. And, culturally if you think about it, a systemized training approach appeals to a Korean culture, perhaps more than it might in other markets. And so that's why we literally went from a small number of clubs in Korea initially to where now there is 4,000, 5,000 clubs in Korea because, again, they instituted a very significant systemized training approach to Nutrition Club operation.

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.

Another product question [indiscernible] . There's interesting models out there. And, if you look at In-N-Out Burger, they make all their money on shakes, fries, and a burger and they do it on three products and they do it really well. And that's very similar to our clubs. So, there's a lot of clubs that we want to stick

very close to that model, where if you keep it simple, keep it operational for them so they can jump in; they can get used to a shake, a tea and an aloe drink in there and leave it there; and other services come in, not profit - services for profit; they may have massage chairs in Korea. They do different things in different marketplaces to build the socialization.

But, one thing that when I look in the future excites me a little bit is we've got a complete revamp going of our skincare line. Dr. Paolo Giacomoni is here in the room with you. Maybe down the road, these clubs can become a place where a facial, some type of skin care advantage or some service could take place in those clubs and there is a take-home product on it. That is wishful thinking right now. We have nothing that shows that. There are some models around our skincare line that have gone out that are starting to maybe grasp at the edge of clubs, but somewhere down the line. For other nutrition products, there's retailing that does take place in some clubs of Niteworks, of some of our Heart Health line, some of the other products that are in there. But, the core three major products there, let's keep it simple for these guys, but let's also be thinking as we're developing these products the sizing, the servings, the usability in the clubs, what can our skin care line, what can we do with our other products lines.

And, you're also seeing the Herbalife24 line start to build its own club environment among younger distributors, people who may already be - not have a weight loss issue but want to get an activity part of their life going, a nutrition around good - good nutrition around endurance, around activity. Some of you participated in that today and you look pretty healthy to me. And, there's an opportunity with each of these products. And that Herbalife24 fit video may spring forth in an interesting way to provide opportunity and someone may want to buy those in the club and think we'll see. But, I think staying with the real basic model is the smartest thing we can do for now because look at our penetration rates, how really small they are. And, if you give a distributor 25 products and confuse them versus three and keep it simple and focused then you've got a model that is easy to duplicate and move forward with.

Thanks. One thing I'm trying to understand, as I get to know your company better, is the factor of controllability over the distributors and I know that you had talked about - and this comes before my coverage but in Taiwan, the Nutrition Clubs had evolved into something that wasn't appropriate. And, I think you alluded to the fact that clubs were closed; well, they're not your clubs to close. So, can you just really in a nuts and bolts way explain how you control this? Do you just stop supplying the distributors because you do have a lot of data?

And also, related to that, I find that investors and direct sellers want to understand better consumption and understanding the consumption a lot better and I have been asked, well, why - they have these distributors, they have these clubs. It's a fairly simple product line. Why can't there be some point of sale technology that would enable you to know better where are your product; once it's ordered from you, whether it's going to a club, an individual, another distributor, like, what's going on with actual consumption?

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.
Des will lay that - between the two of you, right.

Desmond J. Walsh

President, Herbalife Ltd.

So, on the first one, we actually - one of - I mentioned an IBP, so when a new distributor signs up, they get this international business pack. In that business pack are some products, there are some materials, but one of the booklets in that IBP is a list of our distributor rules. And, around the world, we have a department which is our Distributor Ethics and Compliance Group and they are responsible for the education and the enforcement on our rules around the world. And so, what we do is that we - our distributor ethics and business practice people attend every event.

So, for example, at an extravaganza in the expo area, you'll have our group of our distributor ethics group there, meeting with distributors. They generally will have a spin-the-wheel where they have a rule and they ask distributors to actually respond and if they get a positive response, they get an entry in raffle, a whole lot of different activities. In Mexico, for example, we produce cartoons and videos and a whole - and the inserts in orders. So, we have a constant program for the education of our distributors regarding the - regarding these rules. Occasionally, our distributors may step outside the lines. And, then we have a system of education and progressive levels of sanctions for distributors.

So, in the case, for example, of the Nutrition Clubs in Taiwan, one of our rules is that we do not allow external signage which would identify those locations as locations where Herbalife product can be purchased. And, the reason for that, of course, is that we're a direct seller. Our business is about a personal relationship between a distributor and their customer, which is the antithesis of retail which is about attracting people in off the street. We do not want to attract people in off the street. We want it to be based on personal invitation. So, when we have a rule that says you can't have an Herbalife sign over the door, then what will happen is that we will be advised of that normally by another distributor because, by definition, if I have a club and I'm following all the rules and you have a club and you've got a sandwich board outside and you've got signage saying, come in for your Herbalife shake, then I - we

encourage our distributors, not in the interest of protecting the golden goose, which is what we refer to as Herbalife, to simply advise the company.

We will then have somebody visit that club and actually say, Linda, we love your club but you've got to make these three changes in order to be compliant. First time, it is an education visit. We will then return and if that club is not, now you'll be fined. And, eventually, if you show an ongoing unwillingness to comply with our rules, then we regrettably would take the decision to actually terminate your distributorship. So, very rare that we do that but we have again a progressive - an education program but then a progressive series of fines and sanctions, ultimately resulting, if necessary, in termination.

Point of sale.

John Desimone

Chief Financial Officer, Herbalife Ltd.

Point of sale. So, our distributors are independent, right? So, they're not forced to use any of the tools we give them. We make tools available. We do not have a point of sale tool right now; we may someday. I'm not sure it will be completely utilized. I think distributors are very protective of their customers. This is their livelihood, right? There seems to be - yeah, distributors sometimes fear that the company will go around and take consumers someday; we never will but that fear exists.

So, they're very protective of their consumers. So, they don't like giving out that information. What I can tell you us we've got a lot of indirect information on distributor - from our distributor analytics tool. They get us very comfortable with the level of consumption taking place, right? It may not be direct consumption like you're used to with IRI or Retail Link but we have substantial amount of indirect data that lets us know what kind of consumption is going on and gets us comfortable with what's happening in the marketplace.

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

We are going to take two more questions.

Thanks, Amy. I wonder if you could provide just a little more granularity on Russia. You've obviously posted some great statistics there. I know you were testing a new sales qualification program last year. To what extent that contributed and what else is going on, is it Nutrition Clubs, commercial clubs, new products? Thanks.

Desmond J. Walsh

President, Herbalife Ltd.

So, the program you're referring to is a - was a new method of supervisor qualification. So, traditionally in Herbalife, there were three methods of becoming a supervisor. And, a supervisor essentially is the level at which you build an organization, start to earn royalties on your down line, the people that you have introduced and trained and mentored. And, traditionally, in order to achieve that, there's really three ways but most accomplish it in two ways. One is by purchasing in one month a 4,000 volume point order of inventory or doing 2,500 volume points two months in a row. But, in many countries, that requires a significant investment. So, for example, in the U.S. to purchase a 4,000-volume point order costs directionally by the time you add freight and shipping and taxes, say, \$3,500. So, in a country like Russia, for example, that's a significant amount of money.

So, our distributor leaders and one particular distributor came to us and said, look, what if we actually introduced another method so that if instead of one month of 4,000, because of Nutrition Clubs and because of daily consumption where we've got a lot of people doing smaller volumes, what if we had a 12-month qualification where if somebody did 5,000 volume points but over a 12-month period that he believed that that would actually significantly increase the number of new distributors who would actually have the prospect of becoming a supervisor.

So, as with many of these concepts, we introduced a test or a pilot program. And so, we agreed that we would actually pilot this program in Russia. And so, it started there for 12 months before anybody else. On a worldwide basis in 2011, 18% of our new supervisors now came from this method. So, again, pilot in Russia three years ago introduced, but within Russia, 45% of their supervisors in 2011, became supervisors through this 5K method. So, it absolutely has a significant - had a significant effect in terms of helping distributors on that role to become supervisors.

The other thing we noticed is that the actual ordering rate, the productivity - the ordering rate of supervisors who achieved that through the 5K method is significantly greater than traditional. And, if you think about it, it makes sense because if I become a supervisor tomorrow, now I start building a customer base. But, if I've achieved the level of supervisor over a period of, say, 3 to 12 months, then by the time I become a supervisor, I've achieved that because I already have a large base of permanent customers. So, by definition then my ordering rate thereafter is significantly higher because I already have that base. So, it has - that has been one of the factors that certainly has helped to contribute to Russia's growth.

The second is the introduction of the option of the club. So, the club now is a significant percentage of our business activity in Russia. And, the third thing I think is the City by City program because one of the challenges in Russia is that

you've got this huge geography, seven time zones, and so it almost - it lends itself naturally to people now thinking geographically rather than organizationally because, if I live in Siberia, my up-line may be in Moscow, five time zones away and maybe 3,000 or 4,000 miles. Now, of course, I'm working on my distributor leadership in Siberia, in my own city to create and enhance the business.

And, lastly, I would say distributor access point, so again, one of our challenges in Russia was in the midst of winter, it would take almost two to three weeks sometimes for an order to get from our Central Distribution Center in Moscow, all the way to remote parts of Siberia. Now, because of improved product access, we have - how many in Russia now?

25 access points.

Desmond J. Walsh

President, Herbalife Ltd.

So, 25 access points in Russia. So...?

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

34.

34.

Desmond J. Walsh

President, Herbalife Ltd.

My goodness!

So, there you go.

Okay.

Michael O. Johnson

Chairman & Chief Executive Officer, Herbalife Ltd.

We added 9 -

Desmond J. Walsh

President, Herbalife Ltd.

Yeah. So, I think really those combinations of factors - here's the important thing; those factors are all duplicable in other countries. And that, of course, is

part of our message to distributors, saying those same factors can all be duplicated and that's why in every market, we should have the potential of achieving that 50% growth and 70% - 77% retention.

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

Okay. So, this is going to be the last question and then just to clarify one point for you, that plan went global across all countries in October of 2009. Last question, highest bidder?

Okay.

Amy Greene

Vice President-Investor Relations, Herbalife Ltd.

All right, we're done. Okay, lunch is going to be down the hall. We can do a Pied Piper approach. You're welcome to follow me. And, then following lunch, a lot of us will be going to visit our Lake Forest manufacturing facility....

[Ends Abruptly]