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As filed with the Securities and Exchange Commission on November 9, 2004

Registration No. 333-119485

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 2
to

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WH HOLDINGS (CAYMAN ISLANDS) LTD.*

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands	**5122**	**N/A**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code No.)	(I.R.S. Employer Identification No.)

P.O. Box 309GT
Ugland House, South Church Street
George Town, Grand Cayman, Cayman Islands
(310) 410-9600
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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*To be renamed **HERBALIFE LTD.** prior to the effectiveness of this Registration Statement.

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

PROSPECTUS Subject to Completion
Issued November 9, 2004

Shares

HERBALIFE

COMMON SHARES

We are offering of our common shares. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

Our common shares have been approved for listing on the New York Stock Exchange under the symbol "HLF," subject to official notice of issuance.

Investing in our common shares involves risks. See "Risk Factors" beginning on page 8.

PRICE $ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Herbalife
Per Share	$	$	$
Total	$	$	$

We have granted the underwriters the right to purchase up to an additional common shares to cover over-allotments.

The Securities and Exchange Commission and state regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

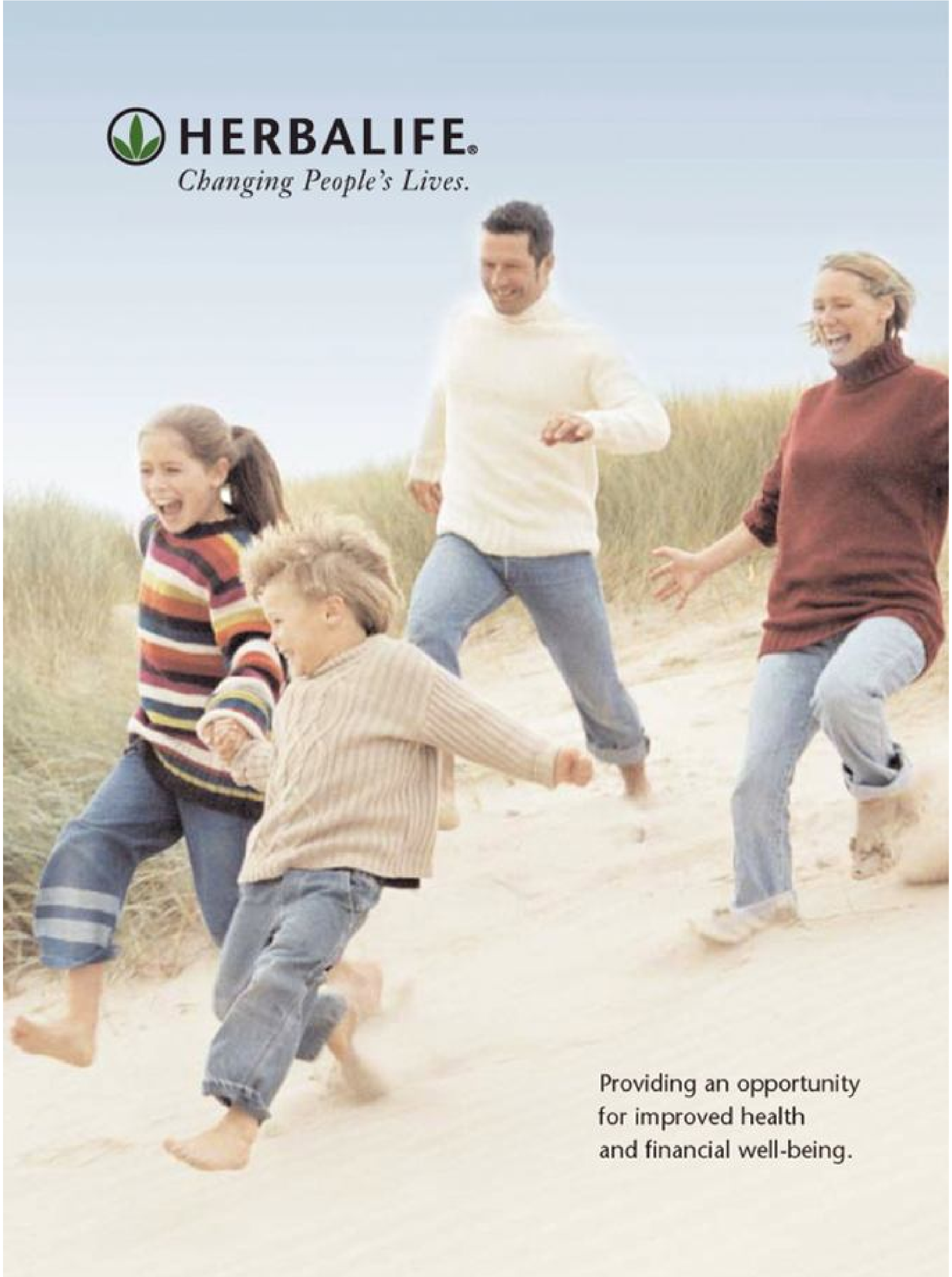
The underwriters expect to deliver the shares to purchasers on , 2004.

MORGAN STANLEY *MERRILL LYNCH & CO.*
Banc of America Securities LLC

Citigroup

Credit Suisse First Boston

, 2004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Changing People's Lives.
Providing an opportunity
for improved health
and financial well-being.


ShapeWorks
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ShapeWorks
Herbal Concentrate
NET WT 1.8 oz / 50 g
ShapeWorks
Cell Activator
120 CAPSULES
ShapeWorks
Multivitamin
90 TABLETS
FORMULA 1


HERBALIFE
Niteworks


HERBALIFE

- Comprehensive product line
- More than 1 million Independent Distributors
- Weight management, nutritional supplements, and personal care products

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements (including the accompanying notes) appearing elsewhere in this prospectus. Prior to the consummation of the offering described in this prospectus, we intend to amend our Memorandum and Articles of Association to change our name to Herbalife Ltd. Unless otherwise noted, the terms "we," "our," "us," "Company" and "Successor" refer to WH Holdings (Cayman Islands) Ltd. ("Herbalife") and its subsidiaries, including WH Capital Corporation ("WH Capital Corp.") and Herbalife International, Inc. ("Herbalife International") and its subsidiaries for periods subsequent to Herbalife International's acquisition on July 31, 2002 by an investment group led by Whitney & Co., LLC and Golden Gate Private Equity, Inc. (the "Acquisition"), and the terms "we," "our," "us," "Company" and "Predecessor" refer to Herbalife International before the Acquisition for periods through July 31, 2002. Herbalife is a holding company, with substantially all of its assets consisting of the capital stock of its indirect, wholly-owned subsidiary, Herbalife International. See "—Corporate Structure." You should carefully consider the information set forth under "Risk Factors." In addition, certain statements in this prospectus are forward-looking statements which involve risks and uncertainties. See "Disclosure Regarding Forward-Looking Statements."

HERBALIFE

We are a global network marketing company that sells weight management, nutritional supplement and personal care products. We pursue our mission of "changing people's lives" by providing a financially rewarding business opportunity to distributors and quality products to distributors and customers who seek a healthy lifestyle. We are one of the largest network marketing companies in the world with net sales of approximately $1.2 billion for the year ended December 31, 2003. We sell our products in 59 countries through a network of over one million independent distributors. We believe the quality of our products and the effectiveness of our distribution network, coupled with geographic expansion have been the primary reasons for our success throughout our 24-year operating history.

We offer products in three principal categories: weight management, nutritional supplements which we refer to as "inner nutrition" and personal care which we refer to as "Outer Nutrition®." Our products are often sold in programs, which are comprised of a series of related products designed to simplify weight management and nutrition for our consumers and maximize our distributors' cross-selling opportunities. We also sell literature and promotional materials designed to support our distributors' marketing efforts. The following table illustrates our principal product categories:

Product Category	Description	Representative Products
Weight Management (43.1% of 2003 Net Sales)	Meal replacements, weight-loss accelerators and a variety of healthy snacks	Formula 1 *Personalized Protein Powder* *Total Control*® High Protein Bars and Snacks
Inner Nutrition (43.6% of 2003 Net Sales)	Dietary and nutritional supplements containing herbs, vitamins, minerals and other natural ingredients	*Niteworks*™ *Garden 7*™ Aloe Concentrate Joint Support
Outer Nutrition® (9.1% of 2003 Net Sales)	Skin cleansers, moisturizers, lotions, shampoos and conditioners	*Skin Activator*® Cream *Radiant C*™ Body Lotion Herbal Aloe Everyday Shampoo Mystic Mask

We are committed to providing products with scientific substantiation. We have significantly increased our emphasis on scientific research in the fields of weight management and nutrition over the past two years. We believe that our focus on nutrition science will continue to result in meaningful product enhancements that differentiate our products in the marketplace. Our research and development organization combines the experience of product development scientists within our Company with an external team including world-renowned scientists. Additionally, we contributed to the establishment of the Mark Hughes Cellular and Molecular Nutritional Lab at UCLA (the "UCLA Lab"), which is an independent lab devoted to the advancement of nutrition science. We also introduced *Niteworks*™, a cardiovascular product developed in conjunction with Louis Ignarro, Ph.D., a Nobel Laureate in Medicine in 2003 and, in March 2004, we introduced *ShapeWorks*™, a comprehensive weight management program based on the clinical experience and the 15 years of meal replacement research of David Heber, M.D., Ph.D., professor, and Director of the UCLA Center for Human Nutrition.

We recently established a 14-member Scientific Advisory Board, comprised of world-renowned scientists, and a Medical Advisory Board consisting of leading medical doctors. We consult with members of our Scientific Advisory Board on the advancements in the field of nutrition science, while our Medical Advisory Board provides training on product usage and gives health-news updates through Herbalife literature, the internet and live training events around the world. The boards, both chaired by Dr. David Heber, support our internal product development team by providing expertise on obesity and human nutrition, conducting product research and advising on product concepts.

We believe that the direct selling channel is ideally suited to marketing our products. Through education, ongoing personalized customer care and first-hand testimonials of product effectiveness, distributors can motivate their customers to begin and maintain their wellness and weight management programs. We are focused on building and maintaining our distributor network by offering financially rewarding and flexible career opportunities through sales of quality, innovative products to health conscious consumers. We believe the income opportunity provided by our network marketing program appeals to a broad cross-section of people throughout the world, particularly those seeking to supplement family income, start a home business or pursue entrepreneurial, full and part-time employment opportunities. Our distributors, who are all independent contractors, can profit from selling our products and can also earn royalties and bonuses on sales made by the distributors whom they recruit to join their sales organizations. We actively support our distributors through a broad array of motivational, educational and support services, including individual recognition, reward programs and promotions, and participation in local, national and international Company-sponsored sales and training events and Extravaganzas.

Our Market Opportunity

According to the World Federation of Direct Selling Associations, the global direct selling market, which includes sales through network marketing and direct mail, reached $86 billion in sales in 2002. The area in which we primarily compete, health and wellness, comprised 15.4% of the 2002 total direct selling market according to the Direct Selling Association. According to the Nutrition Business Journal, the U.S. nutritional supplements market grew 5.7% in 2003 to $19.8 billion, of which the weight-loss supplements segment represented $4.2 billion, or 21.3%. In addition, the Nutrition Business Journal reported that sales of weight-loss supplements are projected to grow at a 6.8% compound annual growth rate from 2004 through 2010.

We believe that the increasing prevalence of obesity and the aging worldwide population are driving demand for nutrition and wellness-related products. The number of obese adults worldwide has increased from 200 million in 1995 to 300 million in 2000, an increase of 50% based on a study by the World Health Organization. Trends in dieting have followed the higher prevalence of obesity. A 2003 U.S. News & World Report article estimated that 44% of women and 29% of men in the U.S. were on a diet on any given day. Additionally, according to the Centers for Disease Control, by 2030, the number of adults aged 65 or over is expected to increase from 6.9% to 12.0% of the worldwide population.

Our Competitive Strengths

We believe that our success stems from our ability to inspire and motivate our distributor network with a range of quality, innovative products that appeal to consumer preferences for healthy living. We have been able to achieve sustained and profitable growth by capitalizing on the following competitive strengths:

- our large and highly motivated distributor base;
- our diverse and well-established product portfolio;
- our nutrition science-based product development approach;
- our scalable business model;
- our geographic diversification; and
- our experienced management team.

Our Business Strategy

We believe that our network marketing model is the most effective way to sell our products. Our objective is to increase the recruitment, retention and productivity of our distributor base by pursuing distributor, consumer, product and infrastructure strategies. Our strategic initiatives consist of the following:

- enter new markets;
- further penetrate existing markets;
- pursue local initiatives;
- introduce new products and develop niche market segments; and
- further invest in our infrastructure.

Our Sponsors

We acquired Herbalife International on July 31, 2002, which we refer to herein as the "Acquisition." We were formed by and on behalf of an investment group led by Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate Capital"), which we refer to collectively herein as the "Equity Sponsors," to consummate the Acquisition.

Whitney was established in 1946 by John Hay Whitney as one of the first U.S. firms involved in the development of the private equity industry. Today, Whitney remains a private firm owned by investing professionals and its main activities are to provide private equity and debt capital for middle market growth companies. Whitney manages approximately $5 billion of assets for endowments, foundations and pension plans and is currently investing its fifth outside equity fund, Whitney V, L.P., a fund with committed capital of $1.1 billion.

Golden Gate Capital is a San Francisco-based private equity investment firm with over $2.5 billion of capital under management from leading endowments and a number of Fortune 500 CEOs. The firm's charter is to partner with world-class management teams to invest in change-intensive, growth businesses. The principals of Golden Gate Capital have a long and successful history of investing with management partners across a wide range of industries and transaction types, including leveraged buyouts and recapitalizations, corporate divestitures and spin-offs, build-ups and venture stage investing. Additionally, the principals of Golden Gate Capital draw on their strong consulting heritage at Bain & Company in their investment approach.

Corporate Structure and Information

We were incorporated under the laws of the Cayman Islands in April 2002 and have a foreign holding and operating company structure. Our first and second tier subsidiaries are organized either in the United States, Luxembourg or the Cayman Islands. We believe that this foreign holding and operating company structure provides us with an effective platform to organize our international business activities and to take advantage of favorable environments to implement our international business, operating and financial strategies. International activities are an important part of our business. For the fiscal year ended December 31, 2003, approximately 76% of our net sales were generated outside the U.S.

Our principal executive offices are located c/o Herbalife International at 1800 Century Park East, Los Angeles, California, 90067, and our telephone number is c/o Herbalife International at (310) 410-9600. Our website address is *www.herbalife.com.* The information on our website is not a part of this prospectus. We have included our website address in this document as an inactive textual reference only.

Risks Affecting Us

Our business is subject to numerous risks as discussed more fully in the section entitled "Risk Factors" beginning on page 8 of this prospectus. In particular, if we fail to establish and maintain distributor relationships, or if adverse publicity arises that is associated with our products, ingredients or network marketing program or those of similar companies, or if we fail to appropriately respond to changing consumer preferences and demand for new products or product enhancements, we may not be able to achieve our business objectives and the value of your investment in our common shares may be impaired. In addition, because of the global nature of our business, we will need to further penetrate existing markets or successfully expand our business into new markets, and if we are not able to do so, our ability to expand our business, and the value of your investment in our common shares, may be impaired.

THE RECAPITALIZATION

We are offering our common shares as described in this prospectus as part of a series of recapitalization transactions that we anticipate closing in connection with the consummation of this offering (the "Transactions"), as follows:

- a tender offer for any and all of Herbalife International's outstanding $11^3/4$% senior subordinated notes due 2010, which we refer to as the $11^3/4$% Notes, and related consent solicitation to amend the indenture governing the $11^3/4$% Notes;
- the redemption of 40% of our outstanding $9^1/2$% notes due 2011, which we refer to as our $9^1/2$% Notes;
- the replacement of Herbalife International's existing $205.0 million senior credit facility with a new $225.0 million senior credit facility; and
- the payment of a special cash dividend to our current shareholders in the amount of $200.0 million. As a new purchaser of our common shares, you will not be entitled to participate in this cash dividend.

As a result, we do not expect to use proceeds from this offering to invest in the growth of our business or the development of new products.

The closing of this initial public offering is conditioned upon the execution of a new senior credit facility and the receipt by Herbalife International of tenders from the holders of at least a majority of the outstanding aggregate principal amount of the $11^3/4$% Notes.

THE OFFERING

Common shares offered	shares
Common shares outstanding after this offering	shares
Use of proceeds	We estimate that our net proceeds from the sale of shares in this offering will be approximately $278.4 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds, together with borrowings under the new senior credit facility and Company cash, to effect the Transactions. We do not expect to use proceeds from this offering to invest in the growth of our business or the development of new products. See—"Use of Proceeds."
New York Stock Exchange symbol	HLF
Risk factors	See "Risk Factors" beginning on page 8 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common shares.

Unless we specifically state otherwise, all information in this prospectus assumes no exercise of the over-allotment option granted by us in favor of the underwriters.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical financial data and certain unaudited pro forma financial data. We have derived the summary consolidated financial data as of December 31, 2002 and 2003 and for the year ended December 31, 2001, the seven month period ended July 31, 2002, the five month period ended December 31, 2002, and the year ended December 31, 2003, from our audited financial statements and the related notes included elsewhere in this prospectus. We have derived the summary consolidated financial data as of and for the nine months ended September 30, 2003 and as of and for the nine months ended September 30, 2004 from the unaudited financial statements and related notes included elsewhere in this prospectus. The table also contains summary unaudited pro forma financial information which gives effect to the offering and the Transactions described in the "Unaudited Pro Forma Condensed Consolidated Financial Statements" included elsewhere in this prospectus. The summary financial data set forth below are not necessarily indicative of the results of future operations and the unaudited pro forma financial information does not purport to present our actual financial position or results if the offering and the Transactions actually occurred on the date specified in the unaudited pro forma condensed consolidated financial statements. The summary financial data should be read in conjunction with our audited consolidated financial statements, the selected consolidated historical financial data, the unaudited financial statements, and the unaudited pro forma condensed consolidated financial statements, and, in each case, the related notes included elsewhere in this prospectus, in addition to the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Predecessor		Company			
	Year Ended December 31, 2001	January 1 to July 31, 2002	August 1 to December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
	(in thousands, except per share amounts)					
Statement of Income Data:						
Net sales	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021
Gross profit	778,608	503,635	354,523	923,648	684,959	769,197
Operating income(1)	68,775	14,304	52,889	107,036	94,807	111,020
Net income	42,588	9,212	14,005	36,847	35,783	23,094
Earnings per share						
Basic	$ 1.40	$ 0.28	$ —	$ —	$ —	$ 0.22
Diluted	$ 1.36	$ 0.27	$ 0.14	$ 0.34	$ 0.34	$ 0.21
Weighted average shares outstanding						
Basic	30,422	32,387	—	—	—	104,242
Diluted	31,250	33,800	102,041	106,891	106,265	110,492
Pro forma net income (unaudited) (6)				$ 40,744		$ 50,966
Pro forma earnings per share (unaudited)(6)						
Basic				$		$
Diluted				$		$
Other Financial Data:						
Retail sales (unaudited)(2)	$ 1,656,168	$ 1,047,690	$ 731,505	$ 1,894,384	$ 1,400,821	$ 1,584,011
Acquisition transaction expenses	—	54,708	6,183	—	—	—
Depreciation and amortization	18,056	11,722	11,424	55,605	43,953	34,287
Capital expenditures(3)	14,751	6,799	3,599	20,435	15,385	20,681

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted(4)
	(in thousands)	
Balance Sheet Data:		
Cash, cash equivalents and marketable securities	$ 164,669	$ 50,000
Total working capital(5)	35,602	(55,903)
Total assets	916,142	776,972
Total debt	501,739	373,633
Other long-term liabilities	122,115	100,534
Shareholders' equity	41,206	61,535

(1) Operating income for the seven months ended July 31, 2002 and the five months ended December 31, 2002 includes pre-tax charges of $54.7 million and $6.2 million, respectively, relating to fees and expenses in connection with the Acquisition and, for the year ended 2003, includes a $5.1 million charge for legal and related costs associated with litigation resulting from the Acquisition.

(2) In previous years, we reported retail sales on the face of our income statement in addition to the required disclosure of net sales. Retail sales represent the gross sales amount reflected on our invoices to our distributors. We do not receive the retail sales amount. "Product sales" represent the actual product purchase price paid to us by our distributors, after giving effect to distributor discounts referred to as "distributor allowances," which total approximately 50% of suggested retail sales prices. Distributor allowances as a percentage of sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances. "Net sales" represent product sales including handling and freight income.

Retail sales data is referred to in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our use of retail sales reflect the fundamental role of "retail sales" in our accounting systems, internal controls and operations, including the basis upon which our distributors are paid. In addition, information in daily and monthly reports reviewed by our management relies on retail sales data.

The following represents the reconciliation of retail sales to net sales for each of the periods set forth above:

	Predecessor		Company			
	Year Ended December 31, 2001	January 1 to July 31, 2002	August 1 to December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
	(in thousands)					
Retail sales	$ 1,656,168	$ 1,047,690	$ 731,505	$ 1,894,384	$ 1,400,821	$ 1,584,011
Distributor allowance	(774,513)	(492,997)	(345,145)	(899,264)	(662,922)	(752,682)
Product sales	881,655	554,693	386,360	995,120	737,899	831,329
Handling and freight income	138,475	89,495	63,164	164,313	121,409	136,692
Net sales	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021

(3) Includes acquisitions of property through capitalized leases of $3.8 million for 2001, $2.1 million for the seven months ended July 31, 2002, $1.4 million for the five months ended December 31, 2002, $6.8 million for the year ended December 31, 2003, $5.9 million for the nine months ended September 30, 2003 and $3.9 million for the nine months ended September 30, 2004.

(4) The pro forma as adjusted column reflects the consummation of the Transactions as if they had occurred on September 30, 2004, including our sale of shares in the offering at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(5) Includes cash, cash equivalents, restricted cash and marketable securities.

(6) Pro forma information (unaudited) presented gives effect to the 9 1/2% Notes offering on March 8, 2004, and the transactions contemplated in this offering.

RISK FACTORS

Investing in our common shares involves a high degree of risk. You should carefully consider the following risk factors in addition to the other information contained in this prospectus before deciding whether to invest in our common shares. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In this case, the trading price of our common shares would likely decline and you might lose all or part of your investment in our common shares.

Risks Related to our Business

Our failure to establish and maintain distributor relationships for any reason could negatively impact sales of our products and harm our financial condition and operating results.

We distribute our products exclusively through approximately one million independent distributors, and we depend upon them directly for substantially all of our sales. To increase our revenue, we must increase the number of, or the productivity of, our distributors. Accordingly, our success depends in significant part upon our ability to attract, retain and motivate a large base of distributors. There is a high rate of turnover among our distributors, a characteristic of the network marketing business. The loss of a significant number of distributors for any reason could negatively impact sales of our products and could impair our ability to attract new distributors. In our efforts to attract and retain distributors, we compete with other network marketing organizations, including those in the weight management product, dietary and nutritional supplement, and personal care and cosmetic product industries. Our operating results could be harmed if our existing and new business opportunities and products do not generate sufficient interest to retain existing distributors and attract new distributors.

In light of the high year-over-year rate of turnover in our distributor base, we have our supervisors and non-supervisors distributors requalify annually in order to help us maintain a more accurate count of their numbers. For the latest twelve month re-qualification period ending January 2004, 71% of our supervisors did not re-qualify and approximately 100% of our distributors that are not supervisors turned over. Distributors who purchase our product for personal consumption or for short term income goals may stay with us for several months to one year. Supervisors who have committed time and effort to build a sales organization will generally stay for longer periods. Distributors have highly variable levels of training, skills and capabilities. The turnover rate of our distributors, and our operating results, can be adversely impacted if we and our senior distributor leadership do not provide the necessary mentoring, training and business support tools for new distributors to become successful sales people in a short period of time.

We estimate that, of our over one million independent distributors, we had approximately 191,000 supervisors as of February 1, 2004. These supervisors, together with their downline sales organizations, account for substantially all of our revenues. Our distributors, including our supervisors, may voluntarily terminate their distributor agreements with us at any time. The loss of a group of leading supervisors, together with their downline sales organizations, or the loss of a significant number of distributors for any reason, could negatively impact sales of our products, impair our ability to attract new distributors and harm our financial condition and operating results.

Since we cannot exert the same level of influence or control over our independent distributors as we could were they our own employees, our distributors could fail to comply with our distributor policies and procedures, which could result in claims against us that could harm our financial condition and operating results.

Our distributors are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if distributors were our own employees. As a result, there can be no assurance that our distributors will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our distributor policies and procedures.

Extensive federal, state, and local laws regulate our business, our products, and our network marketing program. While we have implemented distributor policies and procedures designed to govern distributor conduct and to protect the goodwill associated with Herbalife trademarks and tradenames, it can be difficult to enforce these policies and procedures because of the large number of distributors and their independent status. Violations by our distributors of applicable law or of our policies and procedures in dealing with customers could reflect negatively on our products and operations, and harm our business reputation. In addition, it is possible that a court could hold us civilly or criminally accountable based on vicarious liability because of the actions of our independent distributors. If any of these events occur, the value of your investment in our common shares could be impaired.

Adverse publicity associated with our products, ingredients or network marketing program, or those of similar companies, could harm our financial condition and operating results.

The size of our distribution force and the results of our operations may be significantly affected by the public's perception of our company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of our products and ingredients;
- the safety and quality of similar products and ingredients distributed by other companies;
- our distributors;
- our network marketing program; and
- the direct selling business generally.

Adverse publicity concerning any actual or purported failure of our company or our distributors to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of our network marketing program, the licensing of our products for sale in our target markets, or other aspects of our business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse affect on the goodwill of our company and could negatively affect our ability to attract, motivate and retain distributors, which would negatively impact our ability to generate revenue. We cannot ensure that all distributors will comply with applicable legal requirements relating to the advertising, labeling, licensing or distribution of our products.

In addition, our distributors' and consumers' perception of the safety and quality of our products and ingredients as well as similar products and ingredients distributed by other companies can be significantly influenced by national media attention, publicized scientific research or findings, widespread product liability claims and other publicity concerning our products or ingredients or similar products and ingredients distributed by other companies. Adverse publicity, whether or not accurate or resulting from consumers' use or misuse of our products, that associates consumption of our products or ingredients or any similar products or ingredients with illness or other adverse effects, questions the benefits of our or similar products or claims that any such products are ineffective, inappropriately labeled or have inaccurate instructions as to their use, could negatively impact our reputation or the market demand for our products.

Adverse publicity relating to us, our products or our operations, including our network marketing program or the attractiveness or viability of the financial opportunities provided thereby, has had, and could again have, a negative effect on our ability to attract, motivate and retain distributors. In the mid-1980's, our products and marketing program became the subject of regulatory scrutiny in the United States, resulting in large part from claims and representations made about our products by our distributors, including impermissible therapeutic claims. The resulting adverse publicity caused a rapid, substantial loss of distributors in the United States and a corresponding reduction in sales beginning in 1985. We expect that negative publicity will, from time to time, continue to negatively impact our business in particular markets.

Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our distributor and customer relationships and product sales and cause you to lose all or part of your investment.

Our business is subject to changing consumer trends and preferences, especially with respect to diet products. Our continued success depends in part on our ability to anticipate and respond to these changes, and we may not respond in a timely or commercially appropriate manner to such changes. Furthermore, the nutritional supplement industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. Our failure to accurately predict these trends could negatively impact consumer opinion of our products, which in turn could harm our customer and distributor relationships and cause the loss of sales. The success of our new product offerings and enhancements depends upon a number of factors, including our ability to:

- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price our products competitively;
- manufacture and deliver our products in sufficient volumes and in a timely manner; and
- differentiate our product offerings from those of our competitors.

If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could be rendered obsolete, which could negatively impact our revenues and operating results.

Due to the high level of competition in our industry, we might fail to retain our customers and distributors, which would harm our financial condition and operating results.

The business of marketing weight management and nutrition products is highly competitive and sensitive to the introduction of new products or weight management plans, including various prescription drugs, which may rapidly capture a significant share of the market. These market segments include numerous manufacturers, distributors, marketers, retailers and physicians that actively compete for the business of consumers both in the United States and abroad. In addition, we anticipate that we will be subject to increasing competition in the future from sellers that utilize electronic commerce. Some of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and sales resources, greater name recognition, larger established customer bases, and better-developed distribution channels than we do. Our present or future competitors may be able to develop products that are comparable or superior to those we offer, adapt more quickly than we do to new technologies, evolving industry trends and standards or customer requirements, or devote greater resources to the development, promotion and sale of their products than we do. Accordingly, we may not be able to compete effectively in our markets and competition may intensify.

We are also subject to significant competition for the recruitment of distributors from other network marketing organizations, including those that market weight management products, dietary and nutritional supplements, and personal care products as well as other types of products. We compete for global customers and distributors with regard to weight management, nutritional supplement and personal care products. Our competitors include both direct selling companies such as NuSkin Enterprises, Nature's Sunshine, Alticor/Amway, Melaleuca, Avon Products, Oriflame, and Mary Kay, as well as retail establishments such as Weight Watchers, Jenny Craig, General Nutrition Centers, Wal-Mart and retail pharmacies. In addition, because the industry in which we operate is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge to compete with us for our distributors and customers. In addition, the fact that our distributors may easily enter and exit our network marketing program contributes to the level of competition that we face. For example, a distributor can enter or exit our network marketing system with relative ease at anytime without facing a significant investment or loss of capital because (1) we have a low upfront financial cost (generally $50 to $75) to become a Herbalife distributor, (2) we do not require any specific amount of time to work as a distributor, (3) we do not insist on any special training to be a distributor, and (4) we do not prohibit a new distributor from working with another company. Our ability to remain competitive therefore depends, in significant part, on our success in recruiting and retaining distributors through an attractive compensation plan, the maintenance of an attractive product portfolio, and other incentives. We cannot ensure that our programs for recruitment and retention of distributors will be successful, and if they are not, our financial condition and operating results would be harmed.

We are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints both domestically and abroad and our failure or our distributors' failure to comply with these restraints could lead to the imposition of significant penalties or claims, which could harm our financial condition and operating results.

In both domestic and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, importation, exportation, licensing, sale and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions. There can be no assurance that we or our distributors are in compliance with all of these regulations. Our failure or our distributors' failure to comply with these regulations or new regulations could lead to the imposition of significant penalties or claims and could negatively impact our business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our products, resulting in significant loss of sales revenues. For example, the Food and Drug Administration ("FDA") has announced plans to issue new guidance or regulations relating to low carbohydrate claims for foods, which could negatively impact our sales of such products.

Governmental regulations in countries where we plan to commence or expand operations may prevent or delay entry into those markets. In addition, our ability to sustain satisfactory levels of sales in our markets is dependent in significant part on our ability to introduce additional products into such markets. However, governmental regulations in our markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of our products. For example, during the third quarter of 1995, we received inquiries from certain governmental agencies within Germany and Portugal regarding our product, *Thermojetics® Instant Herbal Beverage*, relating to the caffeine content of the product and the status of the product as an "instant tea," which was disfavored by regulators, versus a "beverage." The sale of this product in these countries was subsequently suspended by us at the request of the regulators. Further, such regulatory action, whether or not it results in a final determination adverse to us, could create negative publicity, with detrimental effects on the motivation and recruitment of distributors and, consequently, on sales.

On March 13, 2003, the FDA proposed a new regulation to require current good manufacturing practices, or "cGMPs", in the manufacturing, packing and holding of dietary supplements in the United States. The proposed rules would establish the minimum cGMPs necessary to ensure that, if a company engages in activities relating to manufacturing, packaging or holding dietary ingredients or dietary supplements, it does so in a manner that will not adulterate or misbrand those dietary ingredients or dietary supplements. The provisions would require manufacturers to engage in testing in order to evaluate the identity, purity, quality, strength, and composition of their dietary ingredients and dietary supplements. We currently anticipate that the FDA's final GMPs will be adopted by the end of this year and will become effective in 2005. The new cGMPs, if promulgated, will increase our supply chain costs by requiring our various contract manufacturers to expend additional capital and resources on quality control testing.

Our network marketing program could be found not to be in compliance with current or newly adopted laws or regulations in one or more markets, which could prevent us from conducting our business in these markets and harm our financial condition and operating results.

Our network marketing program is subject to a number of federal and state regulations administered by the Federal Trade Commission and various state agencies in the United States as well as regulations on direct selling in foreign markets administered by foreign agencies. We are subject to the risk that, in one or more markets, our network marketing program could be found not to be in compliance with applicable law or regulations. Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales-related criteria. The regulatory requirements concerning network marketing programs do not include "bright line" rules and are inherently fact-based, and thus, even in jurisdictions where we believe that our network marketing program is in full compliance with applicable laws or regulations governing network marketing systems, we are subject to the risk that these laws or regulations or the enforcement or interpretation of these laws and regulations by governmental agencies or courts can change. The failure of our network marketing program to comply with current or newly adopted regulations could negatively impact our business in a particular market or in general.

We are also subject to the risk of private party challenges to the legality of our network marketing program. The multi-level marketing programs of other companies have been successfully challenged in the past, and in a current lawsuit, allegations have been made challenging the legality of our network marketing program in Belgium. Test Ankoop-Test Achat, a Belgian consumer protection organization, sued Herbalife International Belgium, S.V. ("HIB") on August 26, 2004, alleging that HIB violated Article 84 of the Belgian Fair Trade Practices Act by engaging in pyramid selling, *i.e.*, establishing a network of professional or non-professional sales people who hope to make a profit more through the expansion of that network rather than through the sale of products to end-consumers. The plaintiff is seeking a payment of € 25,000 per purported violation as well as costs of the trial. For the nine months ended September 30, 2004, our net sales in Belgium were approximately $15.3 million. Currently, the lawsuit is in the initial stages. An adverse judicial determination with respect to our network marketing program, or in proceedings not involving us directly but which challenge the legality of multi-level marketing systems, in Belgium or in any other market in which we operate, could negatively impact our business.

A substantial portion of our business is conducted in foreign markets, exposing us to the risks of trade or foreign exchange restrictions, increased tariffs, foreign currency fluctuations and similar risks associated with foreign operations.

Approximately 76% of our net sales for the year ended December 31, 2003, were generated outside the United States, exposing our business to risks associated with foreign operations. For example, a foreign government may impose trade or foreign exchange restrictions or increased tariffs, which could negatively impact our operations. We are also exposed to risks associated with foreign currency fluctuations. For instance, purchases from suppliers are generally made in U.S. dollars while sales to distributors are generally made in local currencies. Accordingly, strengthening of the U.S. dollar versus a foreign currency could have a negative impact on us. Although we engage in transactions to protect against risks associated with foreign currency fluctuations, we cannot be certain any hedging activity will effectively reduce our exchange rate exposure. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As we continue to focus on expanding our existing international operations, these and other risks associated with international operations may increase, which could harm our financial condition and operating results.

If we fail to further penetrate existing markets or successfully expand our business into new markets then the growth in sales of our products, along with our operating results, could be negatively impacted and you could lose all or part of your investment.

The success of our business is to a large extent contingent on our ability to continue to grow by entering new markets and further penetrating existing markets. Our ability to further penetrate existing markets in which we compete or to successfully expand our business into additional countries in Eastern Europe, Southeast Asia, South America, or elsewhere, to the extent we believe that we have identified attractive geographic expansion opportunities in the future, are subject to numerous factors, many of which are out of our control. For example, in China, our sales are currently regulated to be conducted on a wholesale basis to local retailers. In the event that we are permitted in the future to conduct direct selling efforts in China, we will be required to expend significant resources to establish a competitive infrastructure to compete with certain of our competitors that have already established, or are in the process of establishing, significant business operations in China. In addition, the lack of a comprehensive legal system and the uncertainties of enforcement of existing legislation and laws in China and in any additional countries into which we would like to expand our operations, could negatively impact our ability to conduct business in those markets.

In addition, government regulations in both our domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of our products, which could negatively impact our business, financial condition and results of operations. Also, our ability to increase market penetration in certain countries may be limited by the finite number of persons in a given country inclined to pursue a direct selling business opportunity. Moreover, our growth will depend upon improved training and other activities that enhance distributor retention in our markets. We cannot assure you that our efforts to increase our market penetration and distributor retention in existing markets will be successful. Thus, if we are unable to continue to expand into new markets or further penetrate existing markets, our operating results would suffer, the market value of our common shares could decline and you could lose all or part of your investment.

Our contractual obligation to sell our products only through our Herbalife distributor network and to refrain from changing certain aspects of our marketing plan may limit our growth.

In connection with the Acquisition, we entered into an agreement with our distributors to provide assurances that the change in ownership of our company would not negatively affect certain aspects of their business. Through this agreement, we committed to our distributors that we would not sell Herbalife products through any distribution channel other than our network of independent Herbalife distributors. Thus, we are contractually prohibited from expanding our business by selling Herbalife products through other distribution channels that may be available to our competitors, such as over the internet, through wholesale sales, by establishing retail stores, or through mail order systems. Since this is an ongoing or open-ended commitment, there can be no assurance that we will be able to take advantage of innovative new distribution channels that are developed in the future.

In addition, our agreement with our distributors provides that we will not change certain aspects of our marketing plan without the consent of a specified percentage of our distributors. For example, our agreement with our distributors provides that we may increase, but not decrease, the discount percentages available to our distributors for the purchase of products or the applicable royalty override percentages (including roll-ups) and production and other bonus percentages available to our distributors at various qualification levels within our distributor hierarchy. We may not modify the eligibility or qualification criteria for these discounts, royalty overrides and production and other bonuses unless we do so in a manner to make eligibility and/or qualification easier than under the applicable criteria in effect as of the date of the agreement. Our agreement with our distributors further provides that we may not vary the criteria for qualification for each distributor tier within our distributor hierarchy, unless we do so in such a way so as to make qualification easier.

Although we reserved the right to make these changes to our marketing plan without the consent of our distributors in the event that changes are required by applicable law or are necessary in our reasonable business judgment to account for specific local market or currency conditions to achieve a reasonable profit on operations, there can be no assurance that our agreement with our distributors will not restrict our ability to adapt our marketing plan to the evolving requirements of the markets in which we operate. As a result, our growth, and the potential of growth in the value of your investment, may be limited.

We depend on the integrity and reliability of our information technology infrastructure, and any related inadequacies may result in substantial interruptions to our business and cause you to lose all or part of your investment.

Our ability to timely provide products to our distributors and their customers, and services to our distributors, depends on the integrity of our information technology system, which we are in the process of upgrading, including the reliability of software and services supplied by our vendors. As part of this upgrade, we intend to invest an aggregate of approximately $50.0 million, of which we have invested approximately $22.0 million as of September 30, 2004. We intend to invest an additional $18.0 million through December 31, 2005 and an additional $10.0 million during the year ended December 31, 2006. We are implementing an Oracle enterprise-wide technology solution, a scalable and stable open architecture platform, to enhance our and our distributors' efficiency and productivity. In addition, we are upgrading our internet-based marketing and distributor services platform, *MyHerbalife.com*. We expect these initiatives to be substantially complete in 2006.

The most important aspect of our information technology infrastructure is the system through which we record and track distributor sales, volume points, royalty overrides, bonuses and other incentives. We have encountered, and may encounter in the future, errors in our software or our enterprise network, or inadequacies in the software and services supplied by our vendors, although to date none of these errors or inadequacies has had a meaningful negative impact to our business. Any such errors or inadequacies that we may encounter in the future may result in substantial interruptions to our services and may damage our relationships with, or cause us to lose, our distributors if the errors or inadequacies impair our ability to track sales and pay royalty overrides, bonuses and other incentives, which would harm our financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and we may have little or no control over whether any inadequacies in software or services supplied to us by third parties are corrected, if at all.

Since we rely on independent third parties for the manufacture and supply of our products, if these third parties fail to reliably supply products to us at required levels of quality, then our financial condition and operating results would be harmed.

All of our products are manufactured by outside companies, except for a small amount of products manufactured in our own manufacturing facility in China. We cannot assure you that these outside manufacturers will continue to reliably supply products to us at the levels of quality, or the quantities, we require, especially after the FDA imposes cGMPs regulations.

Our supply contracts generally have a two-year term. Except for force majeure events (such as natural disasters and other acts of God) and non-performance by Herbalife, our manufacturers generally cannot unilaterally terminate these contracts. These contracts can generally be extended by us at the end of the relevant time period and we have exercised this right in the past. Globally we have over 40 suppliers of our products. For our major products, we have both primary and secondary suppliers. Our major suppliers include Nature's Bounty for protein powders, Fine Foods (Italy) for protein powders and nutritional supplements, PharmaChem Labs for teas and *Niteworks*^{TM} and JB Labs for fiber. In the event any of our third-party manufacturers were to become unable or unwilling to continue to provide us with products in required volumes and at suitable quality levels, we would be required to identify and obtain acceptable replacement manufacturing sources. There is no assurance that we would be able to obtain alternative manufacturing sources on a timely basis. An extended interruption in the supply of products would result in loss of sales. In addition, any actual or perceived degradation of product quality as a result of reliance on third party manufacturers may have an adverse effect on sales or result in increased product returns and buybacks.

If we fail to protect our trademarks and tradenames, then our ability to compete could be negatively affected, which would harm our financial condition and operating results.

The market for our products depends to a significant extent upon the goodwill associated with our trademark and tradenames. We own, or have licenses to use, the material trademark and tradename rights used in connection with the packaging, marketing and distribution of our products in the markets where those products are sold. Therefore, trademark and tradename protection is important to our business. Although most of our trademarks are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or tradename protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The loss or infringement of our trademarks or tradenames could impair the goodwill associated with our brands and harm our reputation, which would harm our financial condition and operating results.

If our distributors fail to comply with labeling laws, then our financial condition and operating results would be harmed.

Although the physical labeling of our products is not within the control of our independent distributors, our distributors must nevertheless advertise our products in compliance with the extensive regulations that exist in those jurisdictions, such as the United States, that considers product advertising to be labeling for regulatory purposes.

Our products are sold principally as foods, dietary supplements and cosmetics and are subject to rigorous FDA and related legal regimens limiting the types of therapeutic claims that can be made for our products. The treatment or cure of disease, for example, is not a permitted claim for these products. While we train and attempt to monitor our distributors' marketing materials, we cannot ensure that all such materials comply with bans on therapeutic claims. If our distributors fail to comply with these restrictions, then we and our distributors could be subjected to claims, financial penalties, mandatory product recalls or relabeling requirements, which could harm our financial condition and operating results. Although we expect that our responsibility for the actions of our independent distributors in such an instance would be dependent on a determination that we either controlled or condoned a non-compliant advertising practice, there can be no assurance that we could not be held responsible for the actions of our independent distributors.

If our intellectual property is not adequate to provide us with a competitive advantage or to prevent competitors from replicating our products, or if we infringe the intellectual property rights of others, then our financial condition and operating results would be harmed.

Our future success and ability to compete depends upon our ability to timely produce innovative products and product enhancements that motivate our distributors and customers, which we attempt to protect under a combination of copyright, trademark, trade secret laws, confidentiality procedures and contractual provisions. However, our products are not patented domestically or abroad, and the legal protections afforded by our common law and contractual proprietary rights in our products provide only limited protection and may be time-consuming and expensive to enforce and/or maintain. Further, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our proprietary rights, or from independently developing non-infringing products that are competitive with, equivalent to, and/or superior to our products.

Additionally, third parties may claim that products we have independently developed infringe upon their intellectual property rights. For example, in two related lawsuits that are currently pending in California, Unither Pharma, Inc. and others are alleging that sales by Herbalife International of (1) its *Niteworks™* and Prelox Blue products and (2) its former products Woman's Advantage with DHEA and Optimum Performance infringe on patents that are licensed to or owned by those parties, and are seeking unspecified damages, attorneys' fees and injunctive relief against the company. Although we believe that we have meritorious defenses to, and are vigorously defending against, these allegations, there can be no assurance that one or more of our products will not be found to infringe upon the intellectual property rights of these parties or others.

Monitoring infringement and/or misappropriation of intellectual property can be difficult and expensive, and we may not be able to detect any infringement or misappropriation of our proprietary rights. Even if we do detect infringement or misappropriation of our proprietary rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations. Further, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States.

Since one of our products constitutes a significant portion of our retail sales, significant decreases in consumer demand for this product or our failure to produce a suitable replacement should we cease offering it would harm our financial condition and operating results.

Our Formula 1 meal replacement product constitutes a significant portion of our sales, accounting for approximately 23%, 23%, 21% and 20% of net sales for the nine months ended September 30, 2004 and the fiscal years ended December 31, 2003, 2002 and 2001, respectively. If consumer demand for this product decreases significantly or we cease offering this product without a suitable replacement, then our financial condition and operating results would be harmed.

If we lose the services of members of our senior management team, then our financial condition and operating results would be harmed.

We depend on the continued services of our Chief Executive Officer, Michael Johnson, and our current senior management team and the relationships that they have developed with our senior distributor leadership, especially in light of the high level of turnover in our former senior management team, and the resulting need to re-establish good working relationships with our senior distributor leadership, after the death of our founder in May of 2000. Although we have entered into employment agreements with many members of our senior management team (see "Management—Employment Contracts"), and do not believe that any of them are planning to leave or retire in the near term, we cannot assure you that our senior managers will remain with us. The loss or departure of any member of our senior management team could negatively impact our distributor relations and operating results. If any of these executives do not remain with us, our business could suffer. The loss of such key personnel could negatively impact our ability to implement our business strategy and our continued success will also be dependent upon our ability to retain existing, and attract additional, qualified personnel to meet our needs. We currently do not maintain "key person" life insurance with respect to our senior management team.

Our substantial amount of consolidated debt could negatively impact our consolidated financial condition.

In connection with the consummation of the Acquisition and with the offering of our $9^1/2$% Notes, we have incurred a substantial amount of debt. At September 30, 2004, our total debt was $501.7 million and our shareholders' equity was $41.2 million. Our annual debt service payment for 2004 is expected to be approximately $154.1 million (through September 30, 2004, $133.1 million was paid), which includes the prepayment of existing term loan borrowings of $40.0 million and the repurchase of 15.5% senior notes of $39.6 million plus related premium of $11.4 million. Subsequent to this offering, our pro forma total debt will be approximately $373.6, our pro forma shareholder's equity will be approximately $61.5 million and our pro forma annual debt service payment for 2005 will be approximately $31.0 million. Our substantial amount of debt may have important consequences for us. For example, it may:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing to fund working capital, capital expenditures and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- make it difficult for us to meet our debt service requirements if we experience a substantial decrease in our revenues or an increase in our expenses.

The covenants in our existing indebtedness limit, and the covenants in our new credit facilities will limit, our discretion with respect to certain business matters, which could limit our ability to pursue certain strategic objectives and in turn harm our financial condition and operating results.

Our existing notes and senior credit facilities contain numerous financial and operating covenants that restrict, and the terms of our new credit facilities will contain covenants that restrict, our and our subsidiaries' ability to, among other things:

- pay dividends, redeem share capital or capital stock and make other restricted payments and investments;
- incur additional debt or issue preferred shares;
- allow the imposition of dividend or other distribution restrictions on our subsidiaries;
- create liens on our and our subsidiaries' assets;
- engage in transactions with affiliates;
- guarantee other indebtedness of the Company; and
- merge, consolidate or sell all or substantially all of our assets and the assets of our subsidiaries.

In addition, our subsidiaries' existing senior credit facility requires, and we expect their new senior credit facility will require us to meet certain financial ratios and financial conditions, including minimum interest charge and fixed charge ratios and a maximum leverage ratio. Our and their ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Failure to comply with these covenants could result in a default causing all amounts to become due and payable under our outstanding notes and/or the senior credit facilities, which is secured by substantially all of our assets, which the lenders thereunder could proceed to foreclose against.

If we do not comply with transfer pricing and similar tax regulations, then we may be subjected to additional taxes, interest and penalties in material amounts, which could harm our financial condition and operating results.

As a multinational corporation, in many countries including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that our intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned by our United States or local entities, and that we are taxed appropriately on such transactions. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products. We are currently subject to pending or proposed audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving transfer pricing issues, income taxes, customs duties, value added taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties have been assessed, and we will be required to pay the assessments or litigate to reverse the assessments. The aggregate amount of asserted taxes, penalties and interest to date is approximately $34 million. We have reserved in the consolidated financial statements an amount that we believe represents the most likely outcome of the resolution of these disputes, but if we are incorrect in our assessment we may have to pay the full amount asserted. Ultimate resolution of these matters may take several years, and the outcome is uncertain. If the United States Internal Revenue Service or the taxing authorities of any other jurisdiction were to successfully challenge our transfer pricing practices, we could become subject to higher taxes and our earnings would be adversely affected.

We may be held responsible for certain taxes or assessments relating to the activities of our distributors, which could harm our financial condition and operating results.

Our distributors are subject to taxation, and in some instances, legislation or governmental agencies impose an obligation on us to collect taxes, such as value added taxes, and to maintain appropriate records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security and similar taxes with respect to our distributors. In the event that local laws and regulations or the interpretation of local laws and regulations change to require us to treat our independent distributors as employees, or that our distributors are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for social security and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results.

We may incur material product liability claims, which could increase our costs and harm our financial condition and operating results.

Our products consist of herbs, vitamins and minerals and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. Our products could contain contaminated substances, and some of our products contain innovative ingredients that do not have long histories of human consumption. We generally do not conduct or sponsor clinical studies for our products and previously unknown adverse reactions resulting from human consumption of these ingredients could occur. As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been, and may again be, subjected to various product liability claims, including that the products contain contaminants, the products include inadequate instructions as to their uses, or the products include inadequate warnings concerning side effects and interactions with other substances. It is possible that widespread product liability claims could increase our costs, and adversely affect our revenues and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles, and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims thereby requiring us to pay substantial monetary damages and adversely affecting our business. Finally, given the higher level of self-insured retentions that we have accepted under our current product liability insurance policies, which are as high as approximately $10 million, in certain cases we may be subject to the full amount of liability associated with any injuries, which could be substantial.

Several years ago, a number of states restricted the sale of dietary supplements containing botanical sources of ephedrine alkaloids and on February 6, 2004, the FDA banned the use of such ephedrine alkaloids. Until late 2002, we had sold Thermojetics® original green herbal tablets, Thermojetics® green herbal tablets and Thermojetics® gold herbal tablets, all of which contained ephedrine alkaloids. Accordingly, we run the risk of product liability claims related to the ingestion of ephedrine alkaloids contained in those products. Currently, we have been named as a defendant in 12 product liability lawsuits seeking to link the ingestion of certain of the aforementioned products to subsequent alleged medical problems suffered by plaintiffs. Although we believe that we have meritorious defenses to the allegations contained in these lawsuits, and are vigorously defending these claims, there can be no assurance that we will prevail in our defense of any or all of these matters.

If we do not achieve increased operational or tax benefits as a result of our planned corporate restructuring, then our financial condition and operating results could be harmed.

We are in the process of restructuring our corporate organization to be more closely aligned with the international nature of our business activities. As a result of this restructuring, we currently anticipate achieving a gradual reduction in our overall effective blended tax rate over the next four years to a rate that is more closely aligned to that of our competitors, which may result in annual tax savings of a peak amount of approximately $10 million by the fiscal year ended December 31, 2008. There can be no assurance that the Internal Revenue Service or the taxing authorities of the states or foreign jurisdictions in which we operate will not challenge the tax benefits that we expect to realize as a result of the realignment. If the intended tax treatment is not accepted by our taxing authorities we could fail to achieve the operational and financial efficiencies that we anticipate as a result of the restructuring. Additionally, if the Internal Revenue Service determines that (1) we understated the value of any intangible asset rights used by one of our foreign subsidiaries in computing our federal income tax liability for the year of such use, or (2) we are unable to offset a portion of the tax resulting from the restructuring with foreign tax credit carryovers as anticipated, then certain tax benefits of the restructuring that we anticipate achieving could be disallowed, in which case we would not benefit from a reduction in our overall blended effective tax rate and we would be required to pay additional taxes for the period in which we believed that we had achieved a lower overall blended effective tax rate. In connection with such an event, we would also record a charge in our financial statements for the effect of the back taxes mentioned in the preceding sentences and our blended effective tax rate would increase in subsequent periods.

A few of our shareholders collectively control us and have the power to cause the approval or rejection of all shareholder actions and may take actions that conflict with your interests.

Immediately following this offering and the use of proceeds therefrom, affiliates of Whitney and Golden Gate Capital will own approximately % and %, respectively, of the voting power of our share capital. Accordingly, the Equity Sponsors collectively will have the power to cause the approval or rejection of any matter on which the shareholders may vote, including the election of directors, amendment of our memorandum and articles of association and approval of significant corporate transactions and they will have significant control over our management and policies. This control over corporate actions may also delay, deter or prevent transactions that would result in a change of control. In addition, even if all shareholders other than the Equity Sponsors voted together as a group, they would not have the power to adopt any action or to block the adoption of any action favored by the Equity Sponsors if the Equity Sponsors act in concert. Moreover, the Equity Sponsors may have interests that conflict with yours.

Since no proceeds from this offering will be used to grow our business or develop new products, the value of your investment in our common shares could be negatively impacted.

We intend to use the net proceeds of this offering, along with available cash, to consummate a recapitalization of our company. See "Our Recapitalization" and "Use of Proceeds". We do not intend to use any of the proceeds from this offering to grow our business or develop new products, which could negatively impact the value of your investment in our common shares.

Risks Related To This Offering

There has been no prior public market for our common shares, and an active trading market may not develop.

Prior to this offering, there has been no public market for our common shares. An active trading market may not develop following completion of this offering or, if it is developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of your shares. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

The trading price of our common shares is likely to be volatile, and you might not be able to sell your shares at or above the initial public offering price.

The initial public offering price for the common shares sold in this offering will be determined by negotiation between the representatives of the underwriters and us. This price may not reflect the market price of our common shares following this offering and we cannot assure you that the market price will equal or exceed the initial public offering price of your shares. The trading price of our common shares is likely to be subject to wide fluctuations. Factors affecting the trading price of our common shares may include:

- variations in our financial results;
- announcements of new business initiatives by us or by our competitors;
- recruitment or departure of key personnel and key distributors;
- changes in the estimates of our financial results or changes in the recommendations of any securities analysts that elect to follow our common shares or the common shares of our competitors;
- our failure to timely address changing customer or distributor preferences; and
- market conditions in our industry and the economy as a whole.

In addition, if the market for weight management, nutrition, or network marketing stocks or the stock market in general experiences loss of investor confidence, the trading price of our common shares could decline for reasons unrelated to our business or financial results. The trading price of our common shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us.

Non-compliance with the Sarbanes-Oxley Act of 2002 could negatively impact us.

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules which will require us to include in our annual reports on Form 10-K, beginning in fiscal 2005, an assessment by management of the effectiveness of our internal controls over financial reporting. In addition, our independent auditors must attest to and report on management's assessment of the effectiveness of such internal controls over financial reporting. Management has made the decision to early-adopt these rules effective for our fiscal year ending December 31, 2004. While we intend to diligently and thoroughly document, review, test and improve our internal controls over financial reporting in order to ensure compliance with Section 404 of the Sarbanes-Oxley Act, if our independent auditors are not satisfied with the adequacy of our internal controls over financial reporting, or if the independent auditors interpret the requirements, rules and/or regulations differently than we do, then they may decline to attest to management's assessment or may issue a report that is qualified.

While to date we have identified no specific areas of concern, we are a complex and decentralized international company with operations in 59 countries. As a result, we are subject to the heightened risk of internal control deficiencies applicable to companies like ours with expansive and diverse international operations. For example, we have numerous country finance centers in addition to our corporate finance department in Los Angeles, each with its own accounting, cash disbursement, and inventory systems. While we believe that processes and controls have been documented and rigorously tested by us at the corporate and major subsidiary level, given the financial complexities and the decentralized nature of the business noted above, there could be areas within one or more countries where a higher risk of internal control deficiencies may exist. Such deficiencies, alone or in combination with other significant deficiencies, could potentially be determined to constitute a material weakness by our independent auditors, leading to a qualified report as described above. This could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which could negatively impact the price of our common shares.

If securities analysts do not publish research or reports about our business or if they downgrade our stock, the price of our stock could decline.

The trading market for our common shares will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our stock, the price of our stock could decline. If one or more of these analysts ceases coverage of our company, we could lose visibility in the market. For example, in March 2001, during the time while we were a listed company, the few research analysts that were covering us dropped their coverage. If analysts were similarly to drop coverage of us in the future, this would in turn likely cause our share price to decline.

If our involvement in an October 2004 magazine article about Herbalife were held to be in violation of the Securities Act, we could be required to repurchase common shares sold in this offering. You should rely only on statements made in this prospectus in determining whether to purchase our shares.

Information about Herbalife has been published in an article appearing in the October 4, 2004 issue of Forbes Magazine and entitled "Supplemental Income". While work on this article by Forbes commenced in October 2003, the story was not pursued by the magazine at that time due to several personnel changes at the publication. Work on the article resumed in April 2004 when our Chief Executive Officer and another then-senior executive were interviewed. These interviews took place well before we had determined to proceed with an initial public offering of our common shares and well before the filing of our registration statement of which this prospectus is a part. The article presented certain statements about Herbalife in isolation and did not disclose many of the related risks and uncertainties described in this prospectus. As a result, the article should not be considered in isolation and you should make your investment decision only after reading this entire prospectus carefully.

You should carefully evaluate all the information in this prospectus, including the risks described in this section and throughout the prospectus. We have in the past received, and may continue to receive, media coverage, including coverage that is not directly attributable to statements made by our officers and employees. You should rely only on the information contained in this prospectus in making your investment decision.

We do not believe our involvement in the Forbes Magazine article constitutes a violation of Section 5 of the Securities Act. However, if our involvement were held by a court to be in violation of the Securities Act, we could be required to repurchase the shares sold to purchasers in this offering at the original purchase price, plus statutory interest from the date of purchase, for a period of one year following the date of the violation. We would contest vigorously any claim that a violation of the Securities Act occurred.

Future sales of shares by existing shareholders could cause our stock price to decline.

If our existing shareholders sell, or indicate an intention to sell, substantial amounts of our common shares in the public market after the 180-day contractual lock-up, which is subject to adjustment, and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common shares could decline below the initial public offering price. Based on the number of shares outstanding as of , 2004, upon completion of this offering, we will have outstanding common shares, assuming no exercise of the underwriters' over-allotment option. Of these shares, only common shares sold in this offering will be freely tradable, without restriction, in the public market. Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, may, in their sole discretion, permit our officers, directors, employees and current shareholders to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire (180 days or more from the date of this prospectus, subject to adjustment), all of our outstanding shares will be eligible for sale in the public market, but they will be subject to volume limitations under Rule 144 under the Securities Act. In addition, the shares subject to outstanding options and rights under our Stock Incentive Plan and Independent Directors' Stock Incentive Plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common shares could decline.

You will experience immediate and substantial dilution in the net tangible book value of the shares you purchase in this offering.

The initial public offering price of our common shares will be substantially higher than the book value per share of the outstanding common shares after this offering. Therefore, based on an assumed initial public offering price of $ per share, if you purchase our common shares in this offering, you will suffer immediate and substantial dilution of approximately $ per share. If the underwriters exercise their over-allotment option, or if outstanding options to purchase our common shares are exercised, you will experience additional dilution. See "Dilution" for more information.

Limited Protection of Shareholder Interests—Holders of our common shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Following this offering, our corporate affairs will be governed by our amended and restated memorandum and articles of association, by the Companies Law (2004 Revision) and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. Therefore, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States, due to the comparatively less developed nature of Cayman Islands law in this area.

Unlike many jurisdictions in the United States, Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as ourselves have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of the company. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors. Maples and Calder, our Cayman Islands counsel has informed us that they are not aware of any reported class action or derivative action having been brought in a Cayman Islands court.

Provisions of our articles of association and Cayman Islands corporate law may impede a takeover or make it more difficult for shareholders to change the direction or management of the Company, which could adversely affect the value of our common shares and provide shareholders with less input into the management of the Company than they might otherwise have.

Our articles of association permit our board of directors to issue preference shares from time to time, with such rights and preferences as they consider appropriate. Our board of directors could authorize the issuance of preference shares with terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction.

In addition, our articles of association contain certain other provisions which could have an effect of discouraging a takeover or other transaction or preventing or making it more difficult for shareholders to change the direction or management of our company, including a classified board, the inability of shareholders to act by written consent, a limitation on the ability of shareholders to call special meetings of shareholders and advance notice provisions. As a result, our shareholders may have less input into the management of our company than they might otherwise have if these provisions were not included in our articles of association.

Unlike many jurisdictions in the United States, Cayman Islands law does not provide for mergers as that expression is understood under corporate law in the United States. However, Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as "schemes of arrangement." The procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands company must be approved at a shareholders' meeting by each class of shareholders, in each case, by a majority of the number of holders of each class of a company's shares that are present and voting (either in person or by proxy) at such a meeting, which holders must also represent 75% in value of such class issued that are present and voting (either in person or by proxy) at such meeting (excluding the shares owned by the parties to the scheme of arrangement).

The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise have a material adverse effect on the creditors' interests. Furthermore, the Grand Court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

There is uncertainty as to your ability to enforce certain foreign civil liabilities in the Cayman Islands.

We are incorporated as an exempted company with limited liability under the laws of the Cayman Islands. A material portion of our assets are located outside of the United States. As a result, it may be difficult for persons purchasing our common shares to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

We have been advised by our Cayman Islands counsel, Maples and Calder, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will—based on the principle that a judgment by a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given—recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, not in respect of taxes or a fine or penalty, is not inconsistent with a Cayman Islands judgment in respect of the same matters, and was not obtained in a manner, and is not of a kind, the enforcement of which is contrary to the public policy of the Cayman Islands. There is doubt, however, as to whether the Grand Court of the Cayman Islands will (i) recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, or (ii) in original actions brought in the Cayman Islands, impose liabilities predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States, on the grounds that such provisions are penal in nature.

The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." 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 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 in this prospectus. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- our relationships with, and our ability to influence the actions of, our distributors;
- adverse publicity associated with our products or network marketing organization;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products and network marketing program;
- risks associated with operating internationally, including foreign exchange risks;
- 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;
- our reliance on our management team;
- product liability claims;
- uncertainties relating to the application of transfer pricing and similar tax regulations; and
- taxation relating to our distributors.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this prospectus, including under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in our "Prospectus Summary—Summary Consolidated Financial Data" and the related notes. We do not intend, and undertake no obligation, to update any forward-looking statement. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not protect forward-looking statements we make in connection with this offering.

Before deciding whether to invest in our common shares, you should carefully consider the matters set forth under the heading "Risk Factors" and all other information contained in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

MARKET DATA

Market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. We believe that these sources are reliable.

OUR RECAPITALIZATION

The net proceeds of the offering of our common shares, together with available cash, will be used to consummate a recapitalization of our company, which will consist of the following transactions (the "Transactions"), and are conditioned upon the successful completion of this offering, as described in more detail below:

- a tender offer and consent solicitation for all of Herbalife International's outstanding $11^{3}/4$% Notes and the payment of accrued interest in connection therewith;
- the redemption of 40% of our outstanding $9^{1}/2$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the retirement of our existing senior credit facility;
- the establishment of a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $200.0 million; and
- the payment of related transaction fees and expenses.

We do not intend to use proceeds from this offering to invest in the growth of our business or the development of new products.

Tender Offer and Consent Solicitation for $11^{3}/4$% Notes. Prior to this offering, Herbalife International will commence a tender offer and consent solicitation with respect to all of the outstanding $160.0 million aggregate principal amount of $11^{3}/4$% Notes for an expected aggregate consideration of $ million plus accrued interest. The closing of this offering of our common shares will be conditioned upon the tender by the holders of at least a majority in the aggregate principal amount of the existing $11^{3}/4$% Notes outstanding, and the consummation of the tender offer and consent solicitation is conditioned upon the closing of this offering.

Redemption of Our $9^{1}/2$% Notes. We intend to use a portion of the net proceeds of this offering to redeem $110.0 million in aggregate principal amount of our outstanding $9^{1}/2$% Notes, which represents 40% of the aggregate principal amount of $9^{1}/2$% Notes originally issued under the indenture governing the notes. In connection with this redemption, we will be required to pay an expected aggregate of $10.5 million in redemption premium plus accrued interest to the holders of the $9^{1}/2$% Notes that we redeem. This redemption is permitted under the indenture governing our $9^{1}/2$% Notes, which provides that we may at any time on or prior to April 1, 2007, use the proceeds of certain equity offerings to redeem up to 40% of the aggregate principal amount of $9^{1}/2$% Notes originally issued at a redemption price equal to 109.50% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date. See "Description of Material Indebtedness—Existing $9^{1}/2$% Notes."

Repayment of the Existing Senior Credit Facility. Our existing senior credit facility consists of a term loan and a revolving credit facility. We expect to pay the entire principal amount outstanding under the existing senior credit facility, which was $66.7 million as of September 30, 2004 and consisted entirely of term loan borrowings. These term loan borrowings bear interest at variable rates with a weighted average interest rate as of January 1, 2004 of 5.1% per year. The terms of the existing senior credit facility allow us to prepay without premium or penalty.

New Senior Credit Facility. Concurrently with the closing of this offering, we will enter into a new $225.0 million senior secured credit facility with a syndicate of financial institutions, including affiliates of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book-managers. In this prospectus, we refer to this credit facility as the new credit facility. We expect that the new senior credit facility will include a senior secured revolving credit facility with total availability of up to $25.0 million, which we refer to as the new revolver, and a senior secured term loan facility in an aggregate principal amount of $200.0 million, which we refer to as the new term loan. We expect that the new revolver and the new term loan will each have a -year maturity. We expect the new term loan to amortize at a per annum rate not to exceed %. The closing of this offering is conditioned upon the closing of the new senior credit facility. See "Description of Material Indebtedness—New Senior Credit Facility."

Payment of a Special Cash Dividend to Our Current Shareholders. We intend to use a portion of the net proceeds from this offering and the Transactions to pay a $200.0 million special cash dividend to our current shareholders. The record date for this dividend will be one day prior to closing of this offering. **Consequently, you will not be entitled to participate in this dividend as a result of your purchase of our common shares in this offering and your interest in our common shares will be diluted.** See "Dilution."

As a result of the borrowings we expect to make initially under the new credit facility, the tender and consent solicitation for our $11^{3}/4$% Notes, and the redemption of 40% of the aggregate outstanding principal amount of our $9^{1}/2$% Notes in connection with this offering, we anticipate that upon the consummation of this offering we will have approximately $367.9 million of total debt outstanding, net of unamortized underwriting fees.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $278.4 million from the sale of our common shares in this offering after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $321.2 million. The following table summarizes the estimated sources and uses of funds for the Transactions and assumes:

- an offering of shares at an assumed offering price of $ per share, which is the midpoint of the filing range;
- the tender of 100% of the $11^3/4$% Notes;
- the redemption of 40% of our outstanding $9^1/2$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the retirement of our existing senior credit facility;
- the establishment of a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $200.0 million; and
- the payment of related transaction fees and expenses.

We do not intend to use proceeds from this offering to invest in the growth of our business or the development of new products.

We cannot determine what the actual net proceeds from the sale of our common shares in the offering will be until the offering is completed. As a result, the actual results may differ.

	Amount (in millions)
Sources of Funds	
Gross offering proceeds	$ 300.0
Borrowings under New Credit Facility	200.0
Existing excess cash	120.0
Total sources	$ 620.0

	Amount (in millions)
Uses of Funds	
Payment of special cash dividend	$ 200.0
Redemption of 40% of $9^1/2$% Notes(1)	110.0
Tender for $11^3/4$% Notes(2)	160.0
Repayment of existing credit facility(3)	66.7
Accrued interest	11.1
Estimated fees and expenses of the offering and the Transactions(4)	72.2
Total Uses	$ 620.0

(1) Interest on the $9^1/2$% Notes is payable semi-annually in arrear on April 1 and October 1 of each year, and the notes mature on April 1, 2011. The proceeds of the offering of the $9^1/2$% Notes were used, together with available cash, to effect a recapitalization of the Company. See "Description of Material Indebtedness—Existing $9^1/2$% Notes."

(2) Interest on the $11^3/4$% Notes is payable semi-annually in arrear on January 15 and July 15 of each year, and the notes mature on July 15, 2010.

(3) As of September 30, 2004, outstanding borrowings under the existing senior credit facility were $66.7 million. We expect that $66.7 million will be outstanding under the existing senior credit facility as of the closing date of the Transactions.

(4) Includes transaction fees and expenses of $ million, a tender premium for the $11^3/4$% Notes of $ million and a redemption premium for the $9^1/2$% Notes of $ million.

DIVIDEND POLICY

Promptly following the consummation of the offering of the common shares offered by this prospectus, we plan to make a distribution of approximately $200.0 million to our current shareholders. You will not participate in this distribution. See "Our Recapitalization—Payment of a Special Cash Dividend to Our Current Shareholders" for more information.

Although we have not yet adopted a formal plan to pay dividends in the future, management is currently evaluating dividend policies. However, the declaration and payment of dividends to holders of our common shares will be entirely at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements and other factors our board of directors deems relevant. The terms of our current and future indebtedness may also restrict us from paying cash dividends.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2004:

(i) on an actual basis; and

(ii) on a pro forma as adjusted basis to reflect the this offering and the Transactions.

You should read this table in conjunction with "Use of Proceeds," "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements, and the unaudited pro forma condensed consolidated financial statements and, in each case, the related notes included elsewhere in this prospectus.

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
	(in millions)	
Cash and cash equivalents(1)	$ 164.7	$ 50.0
Total debt (including current portion):		
Existing revolving credit facility	$ —	$ —
Existing term loan borrowings(1)	66.7	—
New senior credit facility	—	204.0
Capitalized leases and other debt	8.8	8.8
$11^3/4$% Notes, net(2)	158.3	—
$9^1/2$% Notes, net(3)	267.9	160.8
Total debt	$ 501.7	$ 373.6
Shareholders' equity:		
Common shares, par value $0.001 per share, 250,000,000 shares authorized actual and pro forma, 104,164,038 shares outstanding actual and shares outstanding pro forma as adjusted	$ 0.1	$ 0.1
Paid in capital in excess of par	2.5	280.9
Accumulated other comprehensive income	3.2	3.1
Retained earnings (accumulated deficit)	35.4	(222.6)
Total shareholders' equity	41.2	61.5
Total capitalization	$ 542.9	$ 435.1

(1) The existing term loan has a $4.4 million amortization on December 31, 2004.

(2) Net of $1.7 million of unamortized discount as of September 30, 2004 actual.

(3) Net of $7.1 million and $4.3 million of unamortized underwriting fees as of September 30, 2004 actual and pro forma as adjusted, respectively.

DILUTION

If you invest in our common shares, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common shares and the pro forma as adjusted net tangible book value per share of our common shares immediately after this offering and the consummation of the Transactions. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by that number of our common shares outstanding at September 30, 2004 after giving effect to this offering and the Transactions.

Investors participating in this offering will incur immediate, substantial dilution. Our pro forma net tangible book value was $(440.5) million, computed as total shareholders' equity less goodwill and other intangible assets, or $ per common share outstanding at September 30, 2004. Our pro forma as adjusted net tangible book value at September 30, 2004 would have been $ million, or $ per common share, following the consummation of this offering and the Transactions, based upon the following assumptions:

- an offering of shares at an assumed offering price of $ per share, which is the midpoint of the filing range;
- the tender of 100% of the $11^{3}/4$% Notes;
- the redemption of 40% of our outstanding $9^{1}/2$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the replacement of our existing senior credit facility with a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $200.0 million; and
- the payment of related transaction fees and expenses.

This represents an immediate increase in pro forma net tangible book value of $ per common share to our existing shareholders and an immediate dilution of $ per share to the new investors purchasing shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per common share		$
Pro forma net tangible book value per share at September 30, 2004	$	
Increase in net tangible book value per share attributable to this offering		
Decrease in net tangible book value per share attributable to the Transactions	$	
Pro forma as adjusted net tangible book value per share after the offering		
Dilution per share to new investors		$

The following table sets forth on a pro forma as adjusted basis, at September 30, 2004, the number of common shares purchased or to be purchased from us, the total consideration paid or to be paid and the average price per share paid or to be paid by existing holders of our common shares, by holders of options and warrants outstanding at September 30, 2004, and by the new investors, before deducting estimated underwriting discounts and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(dollars in thousands, except per share amounts)				
Existing shareholders		%	$	%	$
New investors		%		%	
Total		100%	$	100%	$

The discussion and tables above are based on the number of common shares outstanding at September 30, 2004.

To the extent outstanding options and warrants are exercised, new investors will experience further dilution.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements are based on our historical financial statements, included elsewhere in this prospectus, adjusted to give effect to the following transactions:

(A) The $9^{1}/2$% Notes offering on March 8, 2004, including: (1) the receipt of proceeds from the offering of the $9^{1}/2$% Notes; (2) the distribution to the holders of Herbalife's Preferred Shares; (3) the purchase of Herbalife's 15.5% senior notes at a negotiated price; (4) the application of available cash to reduce outstanding amounts under Herbalife International's existing senior credit facilities; and (5) the payment of related fees and expenses.

(B) The transactions contemplated in this offering, including: (6) the receipt of proceeds from this offering; (7) the receipt of proceeds from the new senior credit facility; (8) the payment related to the $110 million redemption of $9^{1}/2$% Notes; (9) the payment related to the tender offer for $160 million of $11^{3}/4$% Notes; (10) the payment to replace Herbalife International's existing senior credit facilities; (11) the payment of accrued interest on the $9^{1}/2$% Notes and $11^{3}/4$% Notes; (12) the payment of shareholders' dividend; and (13) the payment of related fees and expenses.

The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003, and the nine months ended September 30, 2004, give effect to the items (1) to (13) above, as if the transactions had occurred as of January 1, 2003. The unaudited pro forma condensed consolidated balance sheet gives effect to the items (6) to (13) as if they had occurred on September 30, 2004. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. The unaudited pro forma condensed consolidated financial statements do not purport to represent what the Company's financial condition or results of operations would actually have been had these transactions in fact occurred as of the dates indicated above or to project the Company's results of operations for these periods indicated or for any other period.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 2004

	September 30, 2004	Pro forma adjustments	Pro forma
		(in thousands)	
Assets			
Current Assets:			
Cash and cash equivalents	$ 164,669	(114,669)(1)	$ 50,000
Receivables	33,408		33,408
Inventories	77,751		77,751
Prepaid expenses and other current assets	30,606		30,606
Deferred income taxes	2,661		2,661
Total current assets	309,095		194,426
Property, net	49,788		49,788
Deferred compensation assets	19,564		19,564
Other assets	6,603		6,603
Deferred financing costs	29,103	(24,500)(2)	4,603
Intangible assets	334,472		334,472
Goodwill	167,517		167,517
Total	$ 916,142		$ 776,973
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	$ 21,413		$ 21,413
Royalty overrides	75,984		75,984
Accrued expenses and other liabilities	108,268	(9,811)(1)	98,457
Current portion of long-term debt	22,411	(13,353)(3)	9,058
Other current liabilities	45,417		45,417
Total current liabilities	273,493		250,329
Long-term debt, net of current portion	479,328	(114,753)(3)	364,575
Deferred compensation liability	13,706		13,706
Deferred income taxes	105,798	(21,581)(4)	84,217
Other non-current liabilities	2,611		2,611
Total liabilities	874,936		715,438
Common shares	105		105
Paid-in capital	2,486	278,400 (4)	280,886
Retained earnings	35,446	(258,071)(4)	(222,625)
Accumulated other comprehensive income	3,169		3,169
Shareholders' equity	41,206		61,535
Total	$ 916,142		$ 776,973

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31, 2003

	Historical	Pro forma Adjustments for the $9^1/_2$% Notes Offering	Pro forma for the $9^1/_2$% Notes Offering	Pro forma Adjustments for this Offering	Pro forma for the $9^1/_2$% Notes Offering and this Offering
			(in thousands, except per share amounts)		
Product sales	$ 995,120		$ 995,120		$ 995,120
Handling and freight income	164,313		164,313		164,313
Net sales	1,159,433		1,159,433		1,159,433
Costs of sales	235,785		235,785		235,785
Royalty overrides	415,351		415,351		415,351
Marketing, distribution, and administrative expenses	401,261		401,261	394 (5)	401,655
Operating income	107,036		107,036		106,642
Interest expense, net	41,468	18,094(6)	59,562	(30,731)(7)	28,831
Income before income taxes	65,568		47,474		77,811
Income taxes	28,721	1,152(8)	29,873	7,194 (9)	37,067
Net income	$ 36,847		$ 17,601		$ 40,744
Earnings per share:					
Basic					
Diluted	$ 0.34				
Pro forma earnings per share, (unaudited)					
Basic	$				$
Diluted	$				$
Pro forma weighted average shares (unaudited):					
Basic					
Diluted					

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Nine Months Ended September 30, 2004

	Historical	Pro forma Adjustments for the $9^{1}/_{2}$% Notes Offering	Pro forma for the $9^{1}/_{2}$% Notes Offering	Pro forma Adjustments for this Offering	Pro forma for the $9^{1}/_{2}$% Notes Offering and this Offering
			(in thousands, except per share amounts)		
Product sales	$ 831,329		831,329		831,329
Handling and freight income	136,692		136,692		136,692
Net sales	968,021		968,021		968,021
Cost of sales	198,824		198,824		198,824
Royalty overrides	342,366		342,366		342,366
Marketing, distribution, and administrative expenses	315,811		315,811	(198)(5)	315,613
Operating income	111,020		111,020		111,218
Interest expense, net	55,233	(11,862)(6)	43,371	(20,745)(7)	22,626
Income before income taxes	55,787		67,649		88,592
Income taxes	32,693	186 (8)	32,879	4,747 (9)	37,626
Net income	$ 23,094		$ 34,770		$ 50,966
Earnings per share:					
Basic	$ 0.22				
Diluted	$ 0.21				
Pro forma earnings per common share (unaudited)					
Basic	$				$
Diluted	$				$
Pro forma weighted average shares (unaudited):					
Basic					
Diluted					

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) *Cash and Cash Equivalents:* Reflects the net effect of the Transactions on the cash balance as follows (in thousands):

Gross proceeds from this offering	$	300,000
Borrowings from the new senior credit facility		204,049
Redemption of 9 1/2% Notes		(110,000)
Tender offer for 11 3/4% Notes		(160,000)
Replacement of existing senior credit facility		(66,707)
Accrued interest on notes and term loan under the existing senior credit facility		(9,811)
Shareholders' dividend		(200,000)
Redemption premium on 9 1/2% Notes, tender offer premium on 11 3/4% Notes and transaction fees and expenses		(72,200)
Change in cash	$	(114,669)

The Company maintains a minimum of $50 million of cash for operating purposes. In the past this has been a sufficient level of cash to meet day to day operating cash requirements.

(2) *Deferred Financing Costs:* Reflects the following (in thousands):

Fees and expenses related to the borrowings from the new senior credit facility	$	3,000
Write-off of the unamortized portion of the deferred financing costs relating to the repayment of existing debt		(27,500)
	$	(24,500)

(3) *Long-term Debt:* Reflects the transaction items related to debt as follows:

		Non-Current Portion		Current Portion
		(in thousands)		
Redemption of 9 1/2% Notes	$	(110,000)	$	—
Tender offer for 11 3/4% Notes		(160,000)		—
Replacement of existing senior credit facility		(49,305)		(17,402)
Write-off unamortized discount		4,552		—
New senior credit facility		200,000		4,049
Adjustment to long-term debt	$	(114,753)	$	(13,353)

(4) *Shareholders' Equity:* Reflects the adjustments to shareholders' equity as follows:

	Common shares	Paid in capital	Retained earnings
		(in thousands)	
Adjustments to historical shareholders' equity:			
Issuance of common shares	$ —	$ 278,400	$ —
Shareholders' dividend			(200,000)
Redemption premium on 9 1/2% Notes, tender offer premium for 11 3/4% Notes, write-off of deferred financing costs and discount and transaction fees and expenses			(79,652)
Tax effect of redemption premium on 9 1/2% Notes, tender offer premium for 11 3/4% Notes, write-off of deferred financing costs and discount			21,581
Total adjustments to historical shareholders' equity	$ —	$ 278,400	$ (258,071)

As the adjustments to historical shareholders' equity are considered to be non-recurring amounts resulting directly from the Transactions, they have not been included as pro forma adjustments in the accompanying unaudited pro forma condensed consolidated statements of income.

(5) *Marketing, distribution and administrative expenses:* Represents an adjustment to reflect the ongoing effect on compensation expense of the acceleration of certain outstanding stock options triggered by the Transactions and an adjustment to reflect compensation expense for options granted in August and September 2004 based on the expected offering price of $, the mid-point of the filing range.

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
Options acceleration	$ 394	$ (198)
Options granted prior to this offering	—	—
	$ 394	$ (198)

(6) *Interest expense, net:* Represents adjustments to interest expense to reflect the effects of the 9 1/2% Notes offering on March 8, 2004, including elimination of interest income related to cash used by the Company to effect these transactions:

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
Elimination of historical interest:		
Interest expense on 15.5% senior notes	$ (6,031)	$ (12,501)(a)
Interest expense on existing senior credit facility	(2,127)	(385)
Amortization of related discount and deferred financing costs	(1,539)	(4,461)
Interest income on the Company cash used for repayment of debt	613	405
	$ (9,084)	$ (16,942)
Interest on the new borrowings:		
Interest expense on the 9 1/2% Notes	26,125	4,867
Amortization of related discount and deferred financing costs	1,053	213
Net interest expense adjustment	$ 18,094	$ (11,862)

(a) Includes write-offs of deferred financing costs and discounts, as well as premiums associated with the repayment of debt as part of the March 8, 2004, Notes offering.

(7) *Interest Expense, Net:* Represents adjustments to interest expense related to the Transactions in connection with this offering:

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
Elimination of historical interest:		
Interest on $9^{1}/2$% Notes subject to the proposed redemption	$ (10,450)	$ (7,839)
Interest expense on $11^{3}/4$% Notes subject to the proposed tender offer	(20,477)	(14,208)
Interest on the portion of the term loans to be repaid	(5,009)	(2,335)
Amortization of related deferred financing costs and discounts	(5,907)	(4,529)
Interest income on the Company cash used for repayment of debt	1,820	1,197
	$ (40,023)	$ (27,714)
Interest on the new senior credit facility:		
Interest expense on the new senior credit facility	8,692	6,519
Amortization of related deferred financing costs and discounts	600	450
Net interest expense adjustment	$ (30,731)	$ (20,745)

For computing interest expense on the new senior credit facilities, the Company assumed an interest rate of 4.25% based on initial commitments received from its lenders, for the term loan facility and 4.75% for the revolving credit facility. The interest rates are based on market rates such as prime rate and LIBOR plus a spread. If the actual interest rate varies by $^{1}/8$%, the effect on pretax income for the nine months ended September 30, 2004 and for the year ended December 31, 2003 would be $0.2 million and $0.3 million, respectively.

(8) *Income Taxes:* The following represents the tax effect, using the Company's incremental tax rate, of the adjustments related to the $9^{1}/2$% Notes offering. The Company believes that it will not be able to obtain a tax benefit for the interest expense on the $9^{1}/2$% Notes. The unaudited pro forma condensed consolidated financial statements do not reflect a tax benefit for such interest expense.

Year ended December 31, 2003	Nine Months Ended September 30, 2004
(in thousands)	
$ 1,152	$ 186

(9) *Income Taxes:* The following represents the tax effect, using the Company's incremental tax rate, of the adjustments related to the Transactions. The Company believes that it will not be able to obtain a tax benefit for the interest expense on the $9^{1}/2$% Notes or the new senior credit facility. The unaudited pro forma condensed consolidated financial statements do not reflect a tax benefit for such interest expense.

Year ended December 31, 2003	Nine Months Ended September 30, 2004
(in thousands)	
$ 7,194	$ 4,747

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth certain of our historical financial data. We have derived the selected historical consolidated financial data as of December 31, 2002 and 2003 and for the year ended December 31, 2001, the seven month period ended July 31, 2002, the five month period ended December 31, 2002 and the year ended December 31, 2003 from our audited financial statements and the related notes included elsewhere in this prospectus. The selected historical consolidated financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 have been derived from our audited financial statements for such years, which are not included in this prospectus. We have derived the selected historical consolidated financial data for the nine months ended September 30, 2003 and as of and for the nine months ended September 30, 2004 from our unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated historical financial data set forth below are not necessarily indicative of the results of future operations and should be read in conjunction with the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	Predecessor				Company			
	Year Ended December 31,			January 1 to July 31,	August 1 to December 31,	Year Ended December 31,	Nine Months Ended September 30,	Nine Months Ended September 30,
	1999	2000	2001	2002	2002	2003	2003	2004
	(in thousands, except per share amounts)							
Income Statement Data:								
Net sales	$ 1,098,885	$ 1,085,484	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021
Cost of sales	264,909	268,992	241,522	140,553	95,001	235,785	174,349	198,824
Gross profit	833,976	816,492	778,608	503,635	354,523	923,648	684,959	769,197
Royalty overrides	397,143	382,322	355,225	227,233	159,915	415,351	307,962	342,366
Marketing, distribution and administrative expenses[1]	344,260	363,731	354,608	207,390	135,536	401,261	282,190	315,811
Acquisition transaction expenses[2]	—	9,498	—	54,708	6,183	—	—	—
Operating income[1]	92,573	60,941	68,775	14,304	52,889	107,036	94,807	111,020
Interest income (expense), net	1,750	2,354	3,413	1,364	(23,898)	(41,468)	(31,606)	(55,233)
Income before income taxes and minority interest	94,323	63,295	72,188	15,668	28,991	65,568	63,201	55,787
Income taxes	36,314	25,318	28,875	6,267	14,986	28,721	27,418	32,693
Income before minority interest	58,009	37,977	43,313	9,401	14,005	36,847	35,783	23,094
Minority interest	1,086	1,058	725	189	—	—	—	—
Net income	$ 56,923	$ 36,919	$ 42,588	$ 9,212	$ 14,005	$ 36,847	$ 35,783	$ 23,094
Earnings per share								
Basic	$ 1.99	$ 1.28	$ 1.40	$ 0.28	$ —	$ —	$ —	$ 0.22
Diluted	$ 1.86	$ 1.22	$ 1.36	$ 0.27	$ 0.14	$ 0.34	$ 0.34	$ 0.21
Weighted average shares outstanding								
Basic	28,603	28,827	30,422	32,387	—	—	—	104,242
Diluted	30,579	30,353	31,250	33,800	102,041	106,891	106,265	110,492

	Predecessor				Company			
	Year Ended December 31,			January 1 to July 31,	August 1 to December 31,	Year Ended December 31,	Nine Months Ended September 30,	
	1999	2000	2001	2002	2002	2003	2003	2004
	(in thousands)							
Other Financial Data:								
Retail sales (unaudited)[3]	$ 1,793,508	$ 1,764,851	$ 1,656,168	$ 1,047,690	$ 731,505	$ 1,894,384	$ 1,400,821	$ 1,584,011
Net cash provided by (used in):								
Operating activities	95,414	46,141	95,465	37,901	28,039	94,648	73,055	80,981
Investing activities	(43,517)	(49,968)	(16,366)	18,995	(456,046)	2,854	6,054	(13,029)
Financing activities	(16,041)	(14,079)	(3,456)	(35,292)	491,519	(18,831)	(12,184)	(50,424)
Depreciation and amortization	14,001	15,693	18,056	11,722	11,424	55,605	43,953	34,287
Capital expenditures[4]	32,607	25,383	14,751	6,799	3,599	20,435	15,385	20,681

	Predecessor			Company		
	As of December 31,			As of December 31,		As of September 30,
	1999	2000	2001	2002	2003	2004
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents[5]	$ 139,443	$ 140,250	$ 201,181	$ 76,024	$ 156,380	$ 164,669
Receivables, net	30,326	24,600	27,609	29,026	31,977	33,408
Inventories	101,557	99,332	72,208	56,868	59,397	77,751
Total working capital	133,137	145,211	177,813	7,186	1,521	35,602
Total assets	415,819	416,937	470,335	855,705	903,964	916,142
Total debt	8,380	8,417	10,612	340,759	325,294	501,739
Shareholders' equity	206,602	222,401	260,916	191,274	237,788	41,206

(1) The year ended December 31, 2003 includes $5.1 million in legal and related costs associated with litigation resulting from the Acquisition.

(2) The year ended December 31, 2000 includes fees and expenses in connection with a proposed acquisition transaction by our founder, Mark Hughes. The seven months ended July 31, 2002 and the five months ended December 31, 2002 include fees and expenses related to the Acquisition.

(3) In previous years, we reported retail sales on the face of our income statement in addition to the required disclosure of net sales. Retail sales represent the gross sales amount reflected on our invoices to our distributors. We do not receive the retail sales amount. "Product sales" represent the actual product purchase price paid to us by our distributors, after giving effect to distributor discounts referred to as "distributor allowances," which total approximately 50% of suggested retail sales prices. Distributor allowances as a percentage of sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances. "Net sales" represents product sales including handling and freight income.

Retail sales data is referred to in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our use of retail sales reflect the fundamental role of "retail sales" in our accounting systems, internal controls and operations, including the basis upon which the distributors are being paid. In addition, information in daily and monthly reports reviewed by our management relies on retail sales data.

The following represents the reconciliation of retail sales to net sales for each of the periods set forth above:

	Predecessor				Company			
	Year Ended December 31,			January 1 to July 31,	August 1 to December 31,	Year Ended December 31,	Nine Months Ended September 30,	Nine Months Ended September 30,
	1999	2000	2001	2002	2002	2003	2003	2004
	(in thousands)							
Retail sales	$ 1,793,508	$ 1,764,851	$ 1,656,168	$ 1,047,690	$ 731,505	$ 1,894,384	$ 1,400,821	$ 1,584,011
Distributor allowance	(837,283)	(820,723)	(774,513)	(492,997)	(345,145)	(899,264)	(662,922)	(752,682)
Product sales	956,225	944,128	881,655	554,693	386,360	995,120	737,899	831,329
Handling and freight income	142,660	141,356	138,475	89,495	63,164	164,313	121,409	136,692
Net sales	$ 1,098,885	$ 1,085,484	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021

(4) Includes acquisition of property from capitalized leases of $1.9 million, $0.4 million, $3.8 million, $2.1 million, $1.4 million, $6.8 million, $5.9 million and $3.9 million for 1999, 2000, 2001, the seven months ended July 31, 2002, the five months ended December 31, 2002, the year ended December 31, 2003, and the nine months ended September 30, 2003 and 2004, respectively.

(5) Includes restricted cash of $10.6 million and $5.7 million as of December 31, 2002 and December 31, 2003, respectively, and $1.3 million of marketable securities at December 31, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with "Selected Consolidated Historical Financial Data" and the related notes and our consolidated financial statements and related notes, each included elsewhere in this prospectus.

Overview

We are a global network marketing company that sells weight management, nutritional supplement and personal care products. We pursue our mission of "changing people's lives" by providing a financially rewarding business opportunity to distributors and quality products to distributors and customers who seek a healthy lifestyle. We are one of the largest network marketing companies in the world with net sales of approximately $1.2 billion for the year ended December 31, 2003. We sell our products in 59 countries through a network of over one million independent distributors. We believe the quality of our products and the effectiveness of our distribution network, coupled with geographic expansion have been the primary reasons for our success throughout our 24-year operating history.

We offer products in three principal categories: weight management products, nutritional supplements which we refer to as "inner nutrition" and personal care products which we refer to as "Outer Nutrition®". Our products are often sold in programs, which are comprised of a series of related products designed to simplify weight management and nutrition for our consumers and maximize our distributors' cross-selling opportunities.

Industry-wide factors that affect us and our competitors include the increasing prevalence of obesity and the aging of the worldwide population, which are driving demand for nutrition and wellness-related products and the recruitment and retention of distributors.

The opportunities and challenges upon which we are most focused are driving recruitment and retention and improving distributor productivity by entering new markets, further penetrating existing markets, pursuing local distributor initiatives, introducing new products, developing niche market segments and further investing in our infrastructure. We are continuing to strengthen the cooperation between senior management and distributor leadership to focus on these key initiatives.

A key non-financial measure we focus on is Volume Points on a Royalty Basis (hereafter "Volume Points"), which is essentially our weighted unit measure of product sales volume. It is a useful measure for us, as it excludes the impact of foreign currency fluctuations and ignores the differences generated by varying retail pricing across geographic markets. In general, an increase in Volume Points in a particular region or country directionally indicates an increase in local currency net sales.

Volume Points by Geographic Region

	For the year ended December 31,					For the nine month period ended September 30,		
	2001	2002	% change	2003	% change	2003	2004	% change
	(Volume Points in millions)							
The Americas	606.0	679.6	12.1%	688.1	1.3%	501.9	556.3	10.8%
Europe	413.8	472.3	14.1	525.0	11.2	395.2	437.3	10.7
Asia/Pacific Rim	263.9	272.0	3.1	229.4	(15.7)	166.0	196.2	18.2
Japan	149.7	124.6	(16.8)	102.5	(17.8)	76.4	55.0	(28.0)
Worldwide	1,433.4	1,548.4	8.0%	1,545.0	(0.2)%	1,139.5	1,244.8	9.2%

Another key non-financial measure we focus on is the number of distributors qualified as supervisors under our compensation system. Distributors qualify for supervisor status based on their Volume Points. The growth in the number of supervisors is a general indicator of the level of distributor recruitment, which generally drives net sales in a particular country or region. Our compensation system requires each supervisor to re-qualify for such status each year, prior to February. There is significant variation in the number of supervisors from the fourth quarter to the first quarter of any given year due to the timing of the re-qualification process. This fluctuation is normal and consistent, does not reflect a dramatic underlying change in the business in comparing these two sequential quarters, and will become more meaningful period to period throughout the year.

The following tables show trends in the number of supervisors over the reporting period by region, and fluctuations within each notable country are discussed in the appropriate net sales section below where pertinent. In February of each year, we delete from the rank of supervisor those supervisors who did not satisfy the supervisor qualification requirements during the preceding twelve months. Distributors who meet the supervisor requirements at any time during the year are promoted to supervisor status at that time, including any supervisors who were deleted, but who subsequently requalified.

Number of Supervisors by Geographic Region as of Reporting Period

	As of December 31,					As of September 30,		
	2001	2002	% change	2003	% change	2003	2004	% change
The Americas	95,800	105,474	10.1%	110,165	4.4%	96,428	108,024	12.0%
Europe	70,224	76,587	9.1	84,665	10.5	75,485	94,064	24.6
Asia/Pacific Rim	70,749	65,111	(8.0)	55,564	(14.7)	49,182	48,308	(1.8)
Japan	36,018	31,906	(11.4)	24,485	(23.3)	23,272	16,056	(31.0)
Worldwide	272,791	279,078	2.3%	274,879	(1.5)%	244,367	266,452	9.0%

Number of Supervisors by Geographic Region as of Requalification Period

	As of February,			
	2001	2002	2003	2004*
The Americas	55,465	62,737	67,921	75,359
Europe	42,419	47,230	51,290	70,239
Asia/Pacific Rim	43,230	40,423	35,637	31,790
Japan	23,589	22,013	18,287	13,946
Worldwide	164,703	172,403	173,135	191,334

* In 2004 certain modifications were made to the requalifications resulting in approximately 19,000 additional supervisors.

Supervisors must re-qualify annually. The requalification period covers the twelve months starting in February and ending the following January. The number of supervisors by geographic region as of the reporting dates will normally be higher than the number of supervisors by geographic region as of the requalification period because supervisors who do not re-qualify during the relevant twelve-month period will be dropped from the rank of supervisor in February. Since supervisors purchase most of our products for resale to other distributors and consumers, comparisons of supervisor totals on a year-to-year same period basis are good indicators of our recruiting and retention efforts in different geographic regions.

The value of the average monthly purchase of Herbalife products by our supervisors has remained relatively constant over time. Consequently, increases in our sales are driven primarily by our retention of supervisors and by our recruitment and retention of distributors, rather than through increases in the productivity of our overall supervisor base.

Summary Financial Results

For the nine months ended September 30, 2004, net sales increased by 12.6% as compared to the same period in 2003, driven by increases in all regions except for a decrease in Japan. These increases resulted from a combination of an increase in the number of our supervisors, generally favorable foreign currency exchange rates, a comprehensive promotional program in Europe and the launch of new products, while the decrease in Japan was driven by factors including ineffective country management, limited product launches and strong competition.

Net income for the nine months ended September 30, 2004 was $23.1 million, which was $12.7 million lower than the prior-year same period. The decrease in net income was primarily due to higher interest expense, resulting from the repurchase in the first quarter of 2004 of the $15^{1}/2$% Senior Notes and the interest expense associated with the $9^{1}/2$% Notes, higher promotional expenses and labor costs, partially offset by increased net sales in all geographic regions except for Japan, the favorable impact of aged royalties and the favorable impact of the appreciation of foreign currencies. Overall, the appreciation of foreign currencies had a $6.6 million favorable impact on net income.

Presentation

As a result of the acquisition of Herbalife International, Inc. ("Herbalife International") on July 31, 2002 by an investment group led by Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate") (the "Acquisition"), the audited financial statements included elsewhere herein consist of financial information from Herbalife International and its subsidiaries (collectively, our "Predecessor") and Herbalife and its subsidiaries (collectively, the "Successor," "we," "us," "our" or the "Company"). The results of operations and cash flows of our Predecessor prior to the Acquisition incorporated in the following discussion are the historical results and cash flows of our Predecessor. These results of our Predecessor do not reflect any purchase accounting adjustments, which are included in our results subsequent to the Acquisition. Due to the results of purchase accounting applied as a result of the Acquisition and the additional interest expense associated with the debt incurred to finance the Acquisition, our results of operations may not be comparable in all respects to the results of operations of our Predecessor prior to the Acquisition. However, our management believes a discussion of our 2002 operations is made more meaningful by combining our results with the results of the Predecessor. Accordingly, for the purpose of management's discussion and analysis of financial condition and results of operations, our results of operations, including our segment operations and cash flows for the year ended December 31, 2002, have been derived by combining the results of operations and cash flows of our Predecessor for the period starting January 1, 2002 through July 31, 2002 with the results of operations and cash flows of the Successor for the period starting August 1, 2002 through December 31, 2002. The terms "we," "us," "our" and "Company" refer to our Predecessor before the Acquisition for periods through July 31, 2002 and to the Successor after the Acquisition for periods subsequent to July 31, 2002, or the entire year from January 1, 2002 to December 31, 2002, as the context requires.

"Retail Sales" represent the gross sales amounts on our invoices to distributors before distributor allowances (as defined below), and "net sales", which reflects distribution allowances and handling and freight income, is what the Company collects and recognizes as net sales in its financial statements. We discuss Retail Sales because of its fundamental role in our compensation systems, internal controls and operations, including its role as the basis upon which distributor discounts, royalties and bonuses are awarded. In addition, information in daily and monthly reports reviewed by our management relies on Retail Sales data. However, such a measure is not in accordance with GAAP. You should not consider Retail Sales in isolation from, nor is it a substitute for, net sales and other consolidated income or cash flow statement data prepared in accordance with GAAP, or as a measure of profitability or liquidity. A reconciliation of net sales to Retail Sales is presented below. "Product sales" represent the actual product purchase price paid to us by our distributors, after giving effect to distributor discounts referred to as "distributor allowances," which approximate 50% of retail sales prices. Distributor allowances as a percentage of sales may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances.

Our "gross profit" consists of net sales less "cost of sales," which represents the prices we pay to our raw material suppliers and manufacturers of our products as well as costs related to product shipments, duties and tariffs, freight expenses relating to shipment of products to distributors and importers and similar expenses.

"Royalty Overrides" are our most significant expense and consist of:

- royalty overrides, or commissions, and bonuses, which total approximately 15% and 7%, respectively, of the Retail Sales of weight management, inner nutrition, Outer Nutrition® and promotional products;
- the Mark Hughes Bonus payable to some of our most senior distributors in the aggregate amount of approximately 1% of Retail Sales of weight management, inner nutrition, Outer Nutrition® and promotional products; and
- other discretionary incentive cash bonuses to qualifying distributors.

Royalty Overrides are generally earned based on Retail Sales, and approximate in the aggregate about 23% of Retail Sales or approximately 35% of our net sales. Royalty Overrides together with distributor allowances represent the potential earnings to distributors of up to approximately 73% of Retail Sales. The compensation to distributors is generally for the development, retention and improved productivity of their distributor sales organizations and is paid to several levels of distributors on each sale. Because of local country regulatory constraints, we may be required to modify our typical distributor incentive plans as described above. Consequently, the total distributor discount percentage may vary over time. We also offer reduced distributor allowances and pay reduced royalty overrides with respect to certain products worldwide. Non-U.S. royalty checks that have aged, for a variety of reasons, beyond a certainty of being paid, are taken back into income. Management has calculated this period of certainty to be three years worldwide, whereas previously this period varied by country, ranging from 12 months to 30 years. In order to achieve consistency among all countries, the Company adjusted the period over which such amounts would be taken into income to three years on a Company-wide basis. The impact of this change for the nine months ended September 30, 2004 is on a pre-tax benefit of approximately $2.4 million.

"Marketing, distribution and administrative expenses" represent our operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, distributor marketing, occupancy costs, communication costs, bank fees, depreciation and amortization, foreign exchange gains and losses and other miscellaneous operating expenses.

"11 3/4% Notes" refers to Herbalife International's 11 3/4% senior subordinated notes due 2010. "9 1/2% Notes" refers to our 9 1/2% notes due 2011.

Most of our sales to distributors outside the United States are made in the respective local currencies. In preparing our financial statements, we translate revenues into U.S. dollars using average exchange rates. Additionally, the majority of our purchases from our suppliers generally are made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and operating margins and can generate transaction losses on intercompany transactions. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. From time to time, we enter into foreign exchange forward contracts and option contracts to mitigate our foreign currency exchange risk.

Results of Operations

Our results of operations for the periods described below are not necessarily indicative of results of operations for future periods, which depend upon numerous factors, including our ability to recruit and retain new distributors, open new markets and further penetrate existing markets and introduce new products and develop niche market segments.

The following table sets forth selected results of our operations expressed as a percentage of net sales for the periods indicated.

	Predecessor		Company	Combined	Company		
						Nine Months Ended September 30,	
	Year Ended December 31, 2001	January 1 to July 31, 2002	August 1 to December 31, 2002	Year Ended December 31, 2002	Year Ended December 31, 2003	2003	2004
Operations:							
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	23.7	21.8	21.1	21.5	20.3	20.3	20.5
Gross profit	76.3	78.2	78.9	78.5	79.7	79.7	79.5
Royalty overrides	34.8	35.3	35.6	35.4	35.8	35.8	35.4
Marketing, distribution & administrative expenses	34.8	32.2	30.1	31.4	34.7	32.9	32.6
Acquisition transaction expenses	—	8.5	1.4	5.6	—	—	—
Operating income	6.7	2.2	11.8	6.1	9.2	11.0	11.5
Interest income (expense), net	0.4	0.2	(5.4)	(2.0)	(3.5)	(3.6)	(5.7)
Income before income taxes and minority interest	7.1	2.4	6.4	4.1	5.7	7.4	5.8
Income taxes	2.9	1.0	3.3	2.0	2.5	3.2	3.4
Income before minority interest	4.2	1.4	3.1	2.1	3.2	4.2	2.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	4.2	1.4	3.1	2.1	3.2	4.2	2.4

Nine months ended September 30, 2004 compared to nine months ended September 30, 2003

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Region

	Nine Months Ended September 30,										
	2003					2004					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	% Change In Net Sales
	(in millions)										
The Americas	$ 502.4	$ (238.4)	$ 264.0	$ 48.1	$ 312.1	$ 557.9	$ (266.0)	$ 291.9	$ 51.6	$ 343.5	10.1%
Europe	552.0	(263.0)	289.0	48.1	337.1	655.8	(313.0)	342.8	58.8	401.6	19.1%
Asia/Pacific Rim	193.8	(87.7)	106.1	13.9	120.0	243.7	(112.1)	131.6	17.4	149.0	24.2%
Japan	152.7	(73.9)	78.8	11.3	90.1	126.6	(61.6)	65.0	8.9	73.9	(18.0)%
Total	$ 1,400.9	$ (663.0)	$ 737.9	$ 121.4	$ 859.3	$ 1,584.0	$ (752.7)	$ 831.3	$ 136.7	$ 968.0	12.6%

Changes in net sales are directly associated with the recruiting, retention and retailing of our distributor force, the quality and completeness of the product offerings that the distributor force has to sell and the number of countries in which we operate. Management's role, both in-country and at the corporate level is to provide distributors with a competitive and broad product line, ensure strong teamwork and leadership among the Chairman's Club and President's Team distributors and offer leading edge business tools to make doing business with Herbalife simple. Management uses the marketing program coupled with educational and motivational tools to incent distributors to drive recruiting, retention and retailing which in turn affects net sales. Such tools include corporate sales events—Extravaganzas and World Team Schools—where large groups of distributors gather, thus allowing them to network with other distributors, learn recruiting, retention and retailing techniques from our leading distributors, and become more familiar with how to market and sell our products and business opportunities. Accordingly, management believes that these development and motivation programs can increase the productivity of the supervisor network. The expenses for such programs are included in Marketing, Distribution and Administration expenses. An example is the Barcelona Extravaganza held in August of 2004 and mentioned below. We will generally see an increase in net sales immediately following a successful sales event. The extent and the longevity of the net sales increase is driven by several factors including the number and productivity of distributor leaders who continually build, educate and motivate their respective distribution and sales organizations following these events. Due to these factors, it is difficult to draw an exact quantitative conclusion about the long-term net sales impact of a sales event. We also use product event and non-event promotions to motivate distributors to increase recruiting, retention and retailing activities. These promotions have ranged from a laptop computer promotion to gift and vacation promotions for distributors that meet certain selling and recruiting goals. The costs of these promotions are included in Marketing, Distribution and Administration expenses. A current example is the "Atlanta Challenge" discussed below. As with sales events, it is not possible for us to draw a precise quantitative correlation between a successful promotion and a resultant long-term effect on net sales.

In contrast to the above, a country that does not receive new products for regulatory or other reasons, does not have active country management performing the above functions and does not have active distributor leadership building their organizations of distributors who are recruiting new distributors or retailing our product will most likely experience a decline in net sales. Our role is to identify these issues and create and implement appropriate actions to address the specific deficiencies in the relevant country.

Net sales in The Americas increased $31.4 million, or 10.1%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency, net sales increased by 10.6% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a negative impact of $1.6 million on net sales for the nine months ended September 30, 2004. The increase was a result of net sales growth in Brazil and Mexico of $20.5 million and $14.7 million, or 78.9% and 26.4%, respectively, for the nine months ended September 30, 2004. These countries continue to benefit from strong country and distributor leadership that focus on recruiting and retention of the distributor force that retails our product, and a product line and business opportunity that is attractive to the demographics in those countries. Continued net sales growth in Brazil is evidenced by an increase in the number of supervisors of 57.8% at September 30, 2004, compared to the same period in 2003, which reflected this renewed emphasis on distributor recruiting and customer retention programs such as those described above locally. Continued net sales growth in Mexico is evidenced by an increase in the number of supervisors of 26.8% at September 30, 2004, compared to the same period in 2003, which also reflected a renewed emphasis on distributor and customer retention programs such as those described above locally, as well as the growth in Nutrition Clubs, which are new and innovative means by which distributors are retailing our products to new customers, some of whom may eventually become distributors of our products. We estimate that between 35% and 45% of our net sales in Mexico now come from Nutrition Clubs. Sales events planned for December of 2004 in both Mexico and Brazil are expected to help continue this positive recruiting and retention, and thus net sales, trend throughout 2004. This was partly offset by a decline in net sales in the U.S. of $9.8 million, or 4.8%, for the nine months ended September 30, 2004, as compared to the same period in 2003. This was evidenced by a 6.0% decrease in the number of supervisors at September 30, 2004 compared to the same period in 2003, with a similar volume point decrease when compared to the prior year same period. This is a continuation of a downward trend in the U.S., although the decrease in 2004 is half the decrease experienced in the same period in 2003. Contributing factors to this continued decline include distraction among senior distributor leadership related to the transition of our new senior management team, strong competition from other direct selling companies and marketing difficulties experienced in early 2004 during the transition to the new *ShapeWorks*™ product line launched in March 2004. We continue to address these issues through renewed communication, cooperation and partnership between senior distributor leadership and our management in the U.S. Through regional "mini-extravaganzas" sales events, the opening of a regional sales center in Dallas and a renewed cooperation and partnership among distributor leadership in the U.S., key markets in the U.S. such as New York, Miami, Houston and Atlanta have improved significantly since 2003. Regional sales centers are small, walk up distribution centers that we are opening in key areas of the U.S. where we feel we are underdeveloped. The walk up centers allow distributors to interact with us on a more personal basis and we believe they will assist distributors with their recruiting and retention efforts. Management and senior distributor leadership will continue to focus on other key under-performing markets, including Los Angeles, Chicago, and Dallas, utilizing sales events and promotions along with introducing recruiting, retention and retailing techniques used in Brazil and Mexico into the U.S. market.

Net sales in Europe increased $64.5 million, or 19.1%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency net sales increased 9.1% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a positive impact on net sales of $33.9 million for the nine months ended September 30, 2004. Most European markets recorded net sales growth as a result of the Barcelona Extravaganza in July 2004 and an eight-month promotion ending in June 2004 that helped our distributors increase recruiting and retention. In particular, net sales in Turkey were up $10.0 million, or 106.6%, for the nine months ended September 30, 2004, as compared to the same period in 2003, due to increasing acceptance of the direct selling concept in Turkey as well as an energetic distributor leadership group. Net sales in Spain were up $9.5 million, or 69.3%, for the nine months ended September 30, 2004, as compared to the same period in 2003, due to a cohesive, renewed focus by distributor leadership and an increasing emphasis locally on health and nutrition. In Italy, one of our largest European markets, net sales were up $5.0 million, or 10.2%, for the nine months ended September 30, 2004, as compared to the same period in 2003, driven by strong country management and distributor leadership collaboration on recruiting and retention programs. In the Netherlands, another of our larger European markets, net sales were up $7.5 million, or 21.6%, for the nine months ended September 30, 2004, as compared to the same period in 2003, driven by the Corporate/Distributor co-sponsored TV program, "Fitness Challenge", which was successful in attracting large viewer audiences and strong promotion for the Herbalife name. In addition, we initiated a new promotion, "The Atlanta Challenge", at the Barcelona Extravaganza in July, as a means to incent distributors to qualify for our 25th Anniversary Extravaganza in April 2005 in Atlanta. In the first quarter of 2004, we took over the management of product distribution in Russia and Greece. Prior to this, we used a third party importer to manage and distribute our product to distributors in these countries. We have now opened an administrative office and a company-operated distribution center in these countries to more closely align with our business model in most other countries around the world. This will allow more direct interaction with our distributors, which we feel will improve communication and ultimately enhance recruiting and retention of distributors in those countries. We expect that fourth quarter sales will continue the positive year over year growth driven by the European introduction of *ShapeWorks*™ at the Bologna World Team School in November and the Atlanta Challenge promotion, somewhat offset by expected seasonal softness prior to the year-end holidays.

Net sales in Asia/Pacific Rim increased $29.0 million, or 24.2%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency, net sales increased 21.2% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a $3.6 million positive impact on net sales for the nine months ended September 30, 2004. The increase was attributable mainly to an increase in Taiwan, partly offset by a decrease in South Korea. Net sales in Taiwan increased $19.1 million, or 58.9%, for the nine months ended September 30, 2004, over the same period in 2003, due primarily to an increase in the number of supervisors by 36.2% at September 30, 2004, compared to the same period in 2003, increased local distributor trainings and initiatives to promote individual recognition of well performing distributors, new product launches, positive momentum from the Bangkok Extravaganza held in September and various other regional promotions. Net sales in South Korea decreased $9.1 million, or 26.0%, for the nine months ended September 30, 2004, over the same period in 2003. The rate of net sales decline has decreased in the third quarter, reflecting the success of various distributor focused initiatives which began in late 2003. Additionally, we recently introduced *ShapeWorks*™ in South Korea, which we believe will help with recruiting and retailing initiatives of our distributors. Overall, we expect that continued local distributor training and the positive momentum from the Bangkok Extravaganza, along with the qualification process for the 25th Anniversary Vacation, the launch of the "The Atlanta Challenge" in the region, and the launch of new products will contribute to ongoing sales increases in the Asia/Pacific Rim region in the fourth quarter of 2004 and into 2005.

Net sales in Japan decreased $16.2 million, or 18.0%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency, net sales in Japan decreased 24.7% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a $6.1 million favorable impact on net sales for the nine months ended September 30, 2004. The net sales decline in the nine month period, which is a continuation of a five year downward trend in Japan, albeit at a slower rate for this reporting period, has been driven primarily by weak country management, which has not properly motivated distributor leadership or introduced new products in a timely manner to meet distributor expectations. This weakness has been exacerbated by strong competition from other direct selling companies and a general deterioration of the Japanese economy. Most recently, from February through September of 2004, Volume Points, while at a significantly lower level than that for the same period in 2003, have remained at a stable level on a sequential monthly basis. In the third quarter of 2004, we appointed a new country manager who is focusing on motivating distributor leadership to improve recruiting and retention of distributors, and we are in the process of expanding our product line to address local country demographic needs. We are also implementing new promotional programs which we believe will maintain the current net sales levels into the fourth quarter of 2004.

Sales by Product Category

	Nine Months Ended September 30,										
	2003					2004					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	% Change In Net Sales
	(in millions)										
Weight Management	$ 623.1	$ (305.6)	$ 317.5	$ 54.0	$ 371.5	$ 705.7	$ (347.1)	$ 358.6	$ 60.9	$ 419.5	12.9%
Inner Nutrition	628.7	(308.3)	320.4	54.5	374.9	699.6	(344.1)	355.5	60.4	415.9	10.9%
Outer Nutrition®	127.3	(62.4)	64.9	11.0	75.9	144.6	(71.1)	73.5	12.5	86.0	13.3%
Literature, Promotional and Other	21.8	13.3	35.1	1.9	37.0	34.1	9.6	43.7	2.9	46.6	25.9%
Total	$ 1,400.9	$ (663.0)	$ 737.9	$ 121.4	$ 859.3	$ 1,584.0	$ (752.7)	$ 831.3	$ 136.7	$ 968.0	12.6%

Our increased emphasis on the science of weight management and nutrition during the past two years, illustrated by our assembly of the Scientific Advisory Board and the Medical Advisory Board, has resulted in numerous product introductions like *Niteworks*™ and *Garden7*™ and the introduction of *ShapeWorks*™, a personalized meal replacement program. Due to the launch of our *ShapeWorks*™ product line in March 2004 and the introduction of new personal care products, net sales of weight management products and Outer Nutrition® products increased at a higher rate than net sales of inner nutrition products. The rationalization of our Outer Nutrition® product line in 2002 resulted in an initial decrease in sales, but since then the line has represented approximately 9% of our net sales. The product line today is designed to complement the weight management and Inner Nutrition product lines with products for improving the appearance of the body, skin and hair. Literature, Promotional and Other, which includes product buy-backs and returns in all product categories, increased due to a decrease in returns and refunds. We expect shifts within these categories from time to time as we launch new products.

Gross Profit

Gross profit was $769.2 million for the nine months ended September 30, 2004, as compared to $685.0 million in the same period in 2003. As a percentage of net sales, gross profit for the nine months ended September 30, 2004 decreased from 79.7% to 79.5%, as compared to the same period in 2003. The decrease in gross profit for the nine months ended September 30, 2004 was attributable mainly to an increase in provisions made for slow moving and obsolete inventory of $1.6 million. Generally, gross profit percentages do not vary significantly as a percentage of sales other than due to ongoing cost reduction initiatives and provisions for slow moving and obsolete inventory. Additionally, we believe that we have the ability to mitigate price increases by raising the prices of our products or shifting product sourcing to alternative manufacturers.

Royalty Overrides

Royalty Overrides as a percentage of net sales were 35.4% for the nine months ended September 30, 2004, as compared to 35.8% in the same period in 2003. As a percentage of net sales, Royalty Overrides decreased by 0.4% for the nine months ended September 30, 2004, over the same period in 2003, due primarily to the $2.4 million impact of aged royalties. Generally, this ratio varies slightly from period to period due to changes in the mix of products and countries because full Royalty Overrides are not paid on certain products or in certain countries. Due to the structure of our global compensation plan, we do not expect to see significant fluctuations in Royalty Overrides as a percent of net sales.

Marketing, Distribution, and Administrative Expenses

Marketing, distribution, and administrative expenses as a percentage of net sales were 32.6% for the nine months ended September 30, 2004, as compared to 32.8% in the same period in 2003.

For the nine months ended September 30, 2004, marketing, distribution and administrative expenses increased $33.6 million to $315.8 million from $282.2 million in the same period in 2003. The increase included $12.5 million in higher salaries and wage expenses, due primarily to normal merit increases, the impact of foreign currency fluctuations, a lower bonus expense in 2003 based on the then anticipated results, and increases related to the strengthening of the senior management team regionally and in the U.S.; $7.4 million in additional professional fees associated with higher legal and accounting expenses, technology expenses, and higher manufacturing consulting expenses related to the start-up of our facility in China and, to a lesser extent, fees relating to our corporate restructuring; $7.3 million in additional promotional expenses related primarily to the *ShapeWorks*™ launch, the eight-month European promotion program noted above which ended in June 2004 and expenses related to our 25th anniversary promotion, $9.0 million in higher non-income taxes due primarily to higher sales in certain jurisdictions and $2.6 million of expenses relating to the transactions that we consummated in connection with the offering of our $9^1/2$% Notes in March 2004. The changes discussed above include the unfavorable impact of foreign currency fluctuations on operating expenses of $7.0 million. The increases were partially offset by $9.7 million lower amortization expense of intangibles for the nine months ended September 30, 2004 compared to the same periods in 2003 due to the final allocation in the third quarter of 2003 of the purchase price in connection with the Acquisition. We currently expect our marketing, distribution and administration expenses for the remainder of 2004 to remain essentially flat with the first nine months of 2004, which would represent approximately a 5% increase for full year 2004 from 2003 levels, due primarily to the timing of certain sales and marketing events, including certain expenses associated with our 25th Anniversary Extravaganza. In anticipation of our potential initial public offering, we recorded a charge in the quarter ended September 30, 2004 for expenses associated with grants of 1.4 million stock options in August and September of 2004, taking into account the difference between the estimated initial public offering price and the option exercise prices over the relevant vesting periods. This charge was not material to the results of operations for the nine months ended September 30, 2004, nor is it expected to be material for any future period.

Net Interest Expense

Net interest expense was $55.2 million for the nine months ended September 30, 2004, as compared to $31.6 million in the same period in 2003. The higher interest expense for the nine-month period was primarily due to the premium of $15.4 million associated with the repurchase of our 15 1/2% Senior Notes and the net additional interest expense of $8.2 million associated with our higher debt levels as a result of the addition of $275.0 million principal amount of our 9 1/2% Notes issued in March 2004.

Income Taxes

Income taxes were $32.7 million for the nine months ended September 30, 2004, as compared to $27.4 million in the same period in 2003. As a percentage of pre-tax income, the estimated effective income tax rate was 58.6% for the nine months ended September 30, 2004, as compared to 43.4% in the same period in 2003. The increase in the effective tax rate for the nine months ended September 30, 2004 as compared to the same period in 2003 was caused primarily by the non-deductible premium related to the repurchase of our 15 1/2% Senior Notes and the non-deductible interest expense associated with the 9 1/2% Notes.

Foreign Currency Fluctuations

Currency fluctuations had a favorable impact of $6.6 million on net income for the nine months ended September 30, 2004, when compared to what current year net income would have been using last year's foreign exchange rates. For the nine months ended September 30, 2004, the regional effects were a favorable $6.3 million in Europe, a favorable $2.2 million in the Pacific Rim and a favorable $0.5 million in The Americas, partially offset by an unfavorable $2.4 million in Japan.

Net Income

Net income for the nine months ended September 30, 2004 was $23.1 million, which was $12.7 million lower than the prior-year same period. The decrease in net income was primarily due to higher interest expense resulting from the repurchase of the 15 1/2% Senior Notes and the interest expense associated with the 9 1/2% Notes, higher promotional expenses and labor costs, partially offset by increased net sales in all geographic regions except for Japan and the favorable impact of the appreciation of foreign currencies. Overall, the appreciation of foreign currencies had a $6.6 million favorable impact on net income.

Year ended December 31, 2003 compared to year ended December 31, 2002

	Predecessor	Company	Combined	Company
	January 1 to July 31, 2002	August 1 to December 31, 2002	Year ended December 31, 2002	Year ended December 31, 2003
			(in millions)	
Operations:				
Net sales	$ 644.2	$ 449.5	$ 1,093.7	$ 1,159.4
Cost of sales	140.6	95.0	235.6	235.8
Gross profit	503.6	354.5	858.1	923.6
Royalty overrides	227.2	159.9	387.1	415.4
Marketing, distribution & administrative expenses	207.4	135.5	342.9	401.3
Acquisition transaction expenses	54.7	6.2	60.9	—
Operating income	14.3	52.9	67.2	107.0
Interest income (expense), net	1.4	(23.9)	(22.5)	(41.5)
Income before income taxes and minority interest	15.7	29.0	44.7	65.6
Income taxes	6.3	15.0	21.3	28.7
Income before minority interest	9.4	14.0	23.4	36.8
Minority interest	0.2	—	0.2	—
Net income	$ 9.2	$ 14.0	$ 23.2	$ 36.8

For the year ended December 31, 2003, net income increased to $36.8 million from $23.2 million in 2002. Net sales for the year ended December 31, 2003 increased 6.0% to $1,159.4 million from $1,093.7 million in 2002, helped by the appreciation of foreign currencies, primarily the euro.

Excluding the impact of pre-tax amortization expense of intangibles resulting from the Acquisition of $34.5 million and $1.5 million in 2003 and 2002, respectively, transaction expenses of $60.9 million in 2002 relating to the Acquisition, 2003 legal and related costs associated with litigation resulting from the Acquisition of $5.1 million, $6.2 million in incremental fees and expenses paid to our Equity Sponsors in 2003, and the favorable impact of foreign currency appreciation of approximately $15.8 million in 2003, operating income increased 5.7% to $137.0 million in 2003 from $129.6 million in 2002. The improved result was attributed to increased sales throughout Europe, Brazil and Mexico, partly offset by the decreased sales in the U.S., Japan and South Korea. We expect that sales in the U.S., Japan and South Korea will improve following the execution of our revitalization initiatives for 2004, which are described below. We anticipate some impact associated with the discovery of BSE in the United States, but do not expect this issue to have a material effect on our business.

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Regions

	Year Ended December 31,										
	2002					2003					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Change in Net Sales
	(in millions)										
The Americas	$ 683.1	$ (324.7)	$ 358.4	$ 65.9	$ 424.3	$ 687.9	$ (328.9)	$ 359.0	$ 65.4	$ 424.4	0.0%
Europe	560.3	(266.3)	294.0	48.7	342.7	733.4	(349.4)	384.0	64.2	448.2	30.8
Asia/Pacific Rim	294.7	(130.0)	164.7	20.8	185.5	271.6	(123.6)	148.0	19.5	167.5	(9.7)
Japan	241.1	(117.1)	124.0	17.2	141.2	201.5	(97.4)	104.1	15.2	119.3	(15.5)
Total	$ 1,779.2	$ (838.1)	$ 941.1	$ 152.6	$ 1,093.7	$ 1,894.4	$ (899.3)	$ 995.1	$ 164.3	$ 1,159.4	6.0%

Net sales growth in The Americas was flat with 2002. In local currency, net sales increased by 1.9%. The slight increase was a result of increases in both Brazil and Mexico, which were mostly offset by declining sales in the U.S. Net sales in Brazil and Mexico increased 71.4% and 13.3%, respectively, while net sales in the U.S. declined 10.3% in 2003. In the fourth quarter of 2003, the rate of net sales decline in the U.S. slowed in connection with the introduction of a new sales promotion. In 2004, it is our goal to revitalize the U.S. market through new product introductions, the enhanced use of internet tools, the opening of strategically located sales centers and the implementation of distributor leadership initiatives.

Net sales in Europe increased $105.5 million or 30.8% in 2003 compared to the prior year. In local currency, net sales increased 14.7% as compared to 2002. The appreciation of the euro and other European currencies was a primary reason for the overall sales increase. Net sales in many of the established countries like Belgium (up 115.1%), France (up 59.9%), Netherlands (up 33.2%), Spain (up 72.2%), Switzerland (up 54.9%) and Turkey (up 371.5%) showed notable growth as reported in U.S. dollars. In 2004, it is our goal to increase sales by strengthening our presence in Europe and in particular in Russia and Greece by expanding our distributor services and taking over the management of product distribution, which in the past has been handled through third party importers.

Net sales in Asia/Pacific Rim decreased $18.0 million or 9.7% in 2003 as compared to the prior year. In local currency, net sales decreased 13.3%. The sales decrease was due to a $32.5 million or 42.5% decline in South Korea partly offset by a $9.6 million or 25.0% increase in Taiwan. During 2003, we implemented several new initiatives to help the distributors in South Korea regain momentum, including improving their incentive arrangements and introducing new internet tools and several new products. We believe that these initiatives have helped stabilize sales during the second half of 2003.

Net sales in Japan decreased $21.9 million or 15.5% during 2003 as compared to the prior year. In local currency, net sales in Japan decreased 22.8%. The decline in the Japanese market over the last year has continued due to strong competition and the general deterioration in economic conditions in Japan. In 2004, it is our goal to revitalize the Japanese market through new product introductions, enhanced use of internet tools, and the implementation of distributor leadership initiatives.

Sales by Product Category

	Year Ended December 31,										
	2002					2003					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Change in Net Sales
	(in millions)										
Weight Management	$ 779.8	$ (381.1)	$ 398.7	$ 66.9	$ 465.6	$ 840.4	$ (413.2)	$ 427.2	$ 72.9	$ 500.1	7.4%
Inner Nutrition	797.7	(389.8)	407.9	68.4	476.3	849.0	(417.5)	431.5	73.6	505.1	6.0
Outer Nutrition®	182.0	(88.9)	93.1	15.6	108.7	177.6	(87.3)	90.3	15.4	105.7	(2.8)
Literature, Promotional and Other	19.7	21.7	41.4	1.7	43.1	27.4	18.7	46.1	2.4	48.5	12.5
Total	$ 1,779.2	$ (838.1)	$ 941.1	$ 152.6	$ 1,093.7	$ 1,894.4	$ (899.3)	$ 995.1	$ 164.3	$ 1,159.4	6.0%

The increase in net sales for weight management and inner nutrition products was due to our increased emphasis on science-based products. In addition, during 2002 we rationalized our Outer Nutrition® line by eliminating color cosmetics, resulting in decreased net sales in 2003. We believe that our Outer Nutrition® product line is now better aligned with our other product categories.

Gross Profit

Gross profit was $923.6 million for the year ended December 31, 2003 compared to $858.2 million in the prior year. As a percentage of net sales, gross profit for the year ended December 31, 2003 increased from 78.5% to 79.7% as compared to the prior year. The increase in gross profit reflected inventory management initiatives which have reduced obsolescence by $3.5 million, a decrease in freight and duty expenses of $3.2 million, and the favorable impact of stronger foreign currencies.

Royalty Overrides

Royalty Overrides as a percentage of net sales were 35.8% for the year ended December 31, 2003 as compared to 35.4% in the prior year. The ratio varies slightly from period to period primarily due to a change in the mix of products and countries because full Royalty Overrides are not paid on certain products or in certain countries. Due to the structure of our compensation plan, we do not expect to see significant fluctuations in Royalty Overrides as a percent of sales.

Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses as a percentage of net sales were 34.6% for the year ended December 31, 2003, as compared to 31.4% in the prior year. For the year ended December 31, 2003, these expenses increased $58.4 million to $401.3 million from $342.9 million in the prior year. The increase included $34.5 million amortization expense of intangibles in 2003 compared to $1.5 million in 2002. In addition, marketing, distribution and administrative expenses were unfavorably impacted by approximately $10.9 million due to the appreciation of foreign currencies, by approximately $6.9 million due to increased promotional expenses, by approximately $9.1 million due to litigation costs and related legal expenses, and by approximately $6.2 million due to fees and expenses paid to our Equity Sponsors subsequent to the Acquisition. Lower salaries and wages expense partly offset the increased expense reflecting efficiencies realized from various cost savings initiatives.

Acquisition Transaction Expenses

In 2002, we recorded $21.9 million relating to fees and $39.0 million of stock option expenses in connection with the Acquisition.

Net Interest Expense

Net interest expense was $41.5 million for the year ended December 31, 2003 as compared to $22.5 million in the prior year. The increase was mainly due to a full year's interest expense relating to the term loan, the $11^{3}/4$% Notes and the 15.5% senior notes in 2003, as compared to only five months of interest expense for those same items in 2002.

Income Taxes

Income taxes were $28.7 million for the year ended December 31, 2003 as compared to $21.3 million for the prior year. As a percentage of pre-tax income, the annual effective income tax rate was 43.8% for 2003 and 47.6% for 2002. The higher effective tax rate in 2002 reflected primarily the non-deductibility of certain acquisition-related expenses incurred in 2002.

Foreign Currency Fluctuations

Currency fluctuations had a favorable impact of $9.5 million on net income for the year ended December 31, 2003 when compared to what current year net income would have been using 2002 foreign exchange rates. For the year ended December 31, 2003, the regional effects were an unfavorable impact of $3.2 million in The Americas, a favorable impact of $1.5 million in Asia/Pacific Rim, a favorable impact of $11.2 million in Europe, and no material impact in Japan.

Net Income

Net income for the year ended December 31, 2003 was $36.8 million compared to net income of $23.2 million for the prior year. Net income increased primarily because of the factors noted above.

Year ended December 31, 2002 compared to year ended December 31, 2001

Net sales for year ended December 31, 2002 increased 7.2% to $1,093.7 million, as compared to net sales of $1,020.1 million in the prior year.

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Region

	Year Ended December 31,										
	2001					2002					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Change in Net Sales
	(in millions)										
Americas	$ 620.2	$ (291.9)	$ 328.3	$ 58.6	$ 386.9	$ 683.1	$ (324.7)	$ 358.4	$ 65.9	$ 424.3	9.7%
Europe	459.5	(216.1)	243.4	39.8	283.2	560.3	(266.3)	294.0	48.7	342.7	21.0
Asia/Pacific Rim	271.9	(118.9)	153.0	19.0	172.0	294.7	(130.0)	164.7	20.8	185.5	7.8
Japan	304.6	(147.6)	157.0	21.0	178.0	241.1	(117.1)	124.0	17.2	141.2	(20.7)
Total	$ 1,656.2	$ (774.5)	$ 881.7	$ 138.4	$ 1,020.1	$ 1,779.2	$ (838.1)	$ 941.1	$ 152.6	$ 1,093.7	7.2%

Net sales in The Americas increased $37.4 million or 9.7% as compared to the prior year. In local currency, net sales increased by 13.7%. The increase was mainly due to well-organized distributor sales meetings, and strong local leadership.

Net sales in Europe increased $59.5 million or 21.0% in 2002 as compared to the prior year. In local currency, net sales in Europe increased 14.6%. The increase was partly due to strong local distributor leadership and effective lead generation system.

Net sales in Asia/Pacific Rim increased $13.5 million or 7.8% during 2002 as compared to the prior year. In local currency, net sales for Asia/Pacific Rim increased 5.8%. The increase was due to sales growth in Australia, Taiwan and Thailand of 39.9%, 11.1% and 76.1%, respectively.

Net sales in Japan decreased $36.8 million, or 20.7% during 2002 as compared to the prior year. In local currency, net sales for Japan decreased 18.3%. The decline was due to deteriorating economic conditions and the intensified competitive sales environment.

Sales by Product Category

	Year Ended December 31,										
	2001					2002					
	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Change in Net Sales
	(in millions)										
Weight Management	$ 707.9	$ (345.2)	$ 362.7	$ 59.2	$ 421.9	$ 779.8	$ (381.1)	$ 398.7	$ 66.9	$ 465.6	10.4%
Inner Nutrition	744.6	(363.1)	381.5	62.2	443.7	797.7	(389.8)	407.9	68.4	476.3	7.3
Outer Nutrition®	178.2	(86.9)	91.3	14.9	106.2	182.0	(88.9)	93.1	15.6	108.7	2.4
Literature, Promotional and Other	25.5	20.7	46.2	2.1	48.3	19.7	21.7	41.4	1.7	43.1	(10.8)
Total	$ 1,656.2	$ (774.5)	$ 881.7	$ 138.4	$ 1,020.1	$ 1,779.2	$ (838.1)	$ 941.1	$ 152.6	$ 1,093.7	7.2%

For the year ended December 31, 2002, net sales of weight management, inner nutrition and Outer Nutrition® products increased as compared to the prior year. The increases were partially offset by a decrease in sales of literature, promotional and other materials and an increase in returns and refunds.

Gross Profit

Gross profit was $858.2 million for the year ended December 31, 2002 compared to $778.6 million in the prior year. As a percentage of net sales, gross profit for the year ended December 31, 2002 increased from 76.3% to 78.5% as compared to the prior year. The increase in gross profit reflected the realization of $5.7 million of product cost savings attributable to new supply contracts initiated in 2001, savings of

$3.5 million in freight and duty expenses and a $6.1 million reduction in the inventory provision for slow moving and anticipated obsolescence when comparing 2002 to 2001.

Royalty Overrides

Royalty Overrides as a percentage of net sales were 35.4% for the year ended December 31, 2002 as compared to 34.8% in the prior year. The ratio varies slightly from period to period primarily due to a change in the mix of products and countries because full Royalty Overrides are not paid on certain products or in certain countries.

Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses as a percentage of net sales were 31.4% for the year ended December 31, 2002, as compared to 34.8% in the prior year. For the year ended December 31, 2002, these expenses decreased $11.7 million to $342.9 million from $354.6 million in the prior year. The decrease was due to $9.3 million in charges for non-income tax contingencies for various tax audits in 2001, a $5.4 million decrease in severance expense from 2001 to 2002, partially offset by $1.3 million higher foreign exchange losses in 2002.

Acquisition Transaction Expenses

In 2002, we recorded $21.9 million relating to fees and $39.0 million of stock option expenses in connection with the Acquisition.

Net Interest Expense

Net interest expense was $22.5 million for the year ended December 31, 2002 as compared to net interest income of $3.4 million in the prior year. In 2002, the interest expense was mainly related to the term loan, Herbalife's 15.5% senior notes and the $11^3/4$% Notes issued to finance the Acquisition.

Income Taxes

Income taxes were $21.3 million for the year ended December 31, 2002 as compared to $28.9 million for the prior year. As a percentage of pre-tax income, the annual effective income tax rate was 47.6% and 40% for 2002 and 2001, respectively. The increase in the effective rate reflected primarily the non-deductibility of the Acquisition-related expenses and the interest expenses incurred by us in 2002.

Foreign Currency Fluctuations

Currency fluctuations had an unfavorable effect of $1.0 million on net income for the year ended December 31, 2002 when recalculating current year net income using last year's foreign exchange rates. For the year ended December 31, 2002, the regional effects were $3.2 million unfavorable in The Americas, $1.1 million unfavorable in Asia/Pacific Rim, $3.3 million favorable in Europe, and no material impact in Japan.

Net Income

Net income for the year ended December 31, 2002 was $23.2 million compared to net income of $42.6 million for the prior year. Excluding the impact of Acquisition expenses, amortization of intangibles and changes in net interest expense, net income for the year ended December 31, 2002 would have been $76.2 million. Net income excluding the impact of Acquisition expenses for the year ended December 31, 2002 increased principally because of a 7.2% increase in net sales and a 2.1% increase in gross profit as a percentage of net sales.

Liquidity and Capital Resources

We have historically met our working capital and capital expenditure requirements, including funding for expansion of operations, through net cash flows provided by operating activities. Our principal source of liquidity is our operating cash flows. Variations in sales of our products would directly affect the availability of funds. There are no material restrictions on the ability to transfer and remit funds among Herbalife's international affiliated companies.

For the nine months ended September 30, 2004, we generated $81.0 million from operating cash flows, as compared to $73.1 million in the same period in 2003. The increase in cash generated from operations reflected (1) a decrease in net income of $12.7 million primarily due to higher interest expense, higher promotional expense and labor costs, partially offset by increased net sales and the favorable impact of the appreciation of foreign currencies; (2) a decrease of $9.6 million in positive non-cash adjustments to net income due to lower amortization expense of intangibles in 2004 compared to the high level in 2003 as a result of the final allocation in the third quarter of 2003 of the purchase price in connection with the Acquisition; (3) an increase in inventory of $19.0 million in 2004 compared to a decrease in inventory of $6.0 million in 2003 related primarily to the introduction of new products in 2004; (4) an increase in accrued expenses of $30.1 million in 2004 compared to a decrease in accrued expenses of $9.1 million in 2003 primarily due to higher interest expense accrual of $10.2 million, the majority of which will be paid in the fourth quarter of 2004, increase in non-income tax accruals of $11.3 million due to higher sales in certain jurisdictions, higher accruals for promotional expenses of $7.7 million due to the eight-month European promotion program and our 25^{th} anniversary promotion which will be paid in the fourth quarter of 2004 and the second quarter of 2005 and (5) an increase in income tax payable of $12.7 million in 2004 compared to a decrease in income tax payable of $3.0 million in 2003 due primarily to the increase in effective tax rate driven by higher non-deductible interest in 2004.

Capital expenditures, including capital leases for the nine months ended September 30, 2004, were $20.7 million, compared to $15.4 million in the same period in 2003. The majority of these expenditures represented investments in management information systems, internet tools for distributors and office facilities and equipment in the United States. We expect to incur additional capital expenditures of up to $8.0 million for the remainder of 2004.

In connection with the Acquisition, we consummated certain related financing transactions including Herbalife International's issuance of its $11^3/4$% Notes in the amount of $165.0 million, and entering into a senior credit facility, consisting of a term loan in the amount of $180.0 million and a revolving credit facility in the amount of $25.0 million.

The following summarizes our contractual obligations at September 30, 2004 and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

		Payments due by period					
	Total	2004	2005	2006	2007	2008	2009 & thereafter
				(in millions)			
Term Debt	$ 66.7	$ 4.4	$ 17.4	$ 17.4	$ 17.4	$ 10.1	$ —
$11^3/4$% Notes	158.3	—	—	—	—	—	158.3
$9^1/2$% Notes	267.9	—	—	—	—	—	267.9
Capital Lease	6.7	0.9	3.6	1.9	0.3	—	—
Other debt	2.1	0.3	1.2	0.5	0.1	—	—
Operating leases	19.0	3.2	9.4	4.4	1.1	0.5	0.4
Total	$ 520.7	$ 8.8	$ 31.6	$ 24.2	$ 18.9	$ 10.6	$ 426.6

In March 2004, we and our lenders amended Herbalife International's existing senior credit facility. Under the terms of the amendment, we made a prepayment of $40.0 million to reduce outstanding amounts under Herbalife International's senior credit facility. In connection with this prepayment, the lenders under Herbalife International's senior credit facility waived the March 31, 2004 mandatory amortization payment of $6.5 million along with a mandatory 50% excess cash flow payment for the year ended December 31, 2003. The amendment also lowered the interest rate to LIBOR plus a 2.5% margin, increased the capital spending allowance under Herbalife International's existing senior credit facility and permitted us to complete a recapitalization. The schedule of the principal payments was also modified so that we were obligated to pay approximately $4.4 million on March 31, 2004 and in each subsequent quarter through June 30, 2008.

In March 2004, Herbalife and its wholly-owned subsidiary WH Capital Corporation completed the $275.0 million offering of the $9^1/2$% Notes. The proceeds of the offering together with available cash were used to pay the original issue price in cash due upon conversion of 104.1 million outstanding Herbalife 12% Series A Cumulative Convertible preferred shares including 2.0 million warrants exercised in connection with this offering, to pay all accrued and unpaid dividends, to redeem our $15^1/2$% Senior Notes and to pay related fees and expenses. Interest on the $9^1/2$% Notes is paid in cash semi-annually in arrears on April 1 and October 1 of each year. The $9^1/2$% Notes are our general unsecured obligations, ranking equally with any of our existing and future senior indebtedness and senior to all of Herbalife's future subordinated indebtedness. Also, the $9^1/2$% Notes are effectively subordinated to all existing and future indebtedness and other liabilities of Herbalife's subsidiaries.

Whitney and Golden Gate (and/or their affiliates) were and are parties to a Share Purchase Agreement (the "Share Purchase Agreement") pursuant to which they originally purchased our Preferred Shares. Under the terms of the Share Purchase Agreement, Whitney and Golden Gate can, subject to approval by our board of directors and 75% of our shareholders, require us to pay a dividend to all of our shareholders related to certain income that may be taxable to them resulting from their ownership of our shares. We have recently completed our analysis with regard to this potential payment and based on this analysis, we may be required to make a $1.4 million payment to our shareholders related to certain income that may be taxable to them for the year ended December 31, 2003. In addition, we may be required to make a payment to our shareholders related to certain income that may be taxable to them for the year ended December 31, 2004. We have not yet determined the amount, if any, that could be payable in connection with the 2004 taxes. Both amounts would become distributable to the shareholders if and when the board of directors and 75% of our shareholders approve the payment of these amounts. As of the date of this filing, our board of directors has not made a determination to make these distributions. If and when such a determination is made, these amounts will be recorded as dividends.

As of September 30, 2004, we had working capital of $35.6 million. Cash and cash equivalents were $164.7 million at September 30, 2004, compared to $150.7 million at December 31, 2003. Simultaneously with our initial public offering, we anticipate closing a series of recapitalization transactions, including:

- a tender offer for any and all of the outstanding $11^3/4$% Notes and related consent solicitation to amend the indenture governing the $11^3/4$% Notes;
- the redemption of 40% of our outstanding $9^1/2$% Notes;
- the replacement of Herbalife International's existing $205.0 million senior credit facility, under which loans in an aggregate principal amount of $71.1 million were outstanding on September 30, 2004, with a new $225.0 million senior credit facility; and
- the payment of a $200.0 million special cash dividend to our current shareholders.

We expect that cash and funds provided from operations and available borrowings under our new revolving credit facility will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including debt service on the $9^1/2$% Notes and the senior credit facility. There can be no assurance, however, that our business will service our debt, including our outstanding notes, or fund our other liquidity needs.

The majority of our purchases from suppliers are generally made in U.S. dollars, while sales to Herbalife distributors generally are made in local currencies. Consequently, strengthening of the U.S. dollar versus a foreign currency can have a negative impact on operating margins and can generate transaction losses on intercompany transactions. For discussion of our foreign exchange contracts and other hedging arrangements, see the quantitative and qualitative disclosures about market risks described below.

Quarterly Results of Operations

	Predecessor		Combined(1)	Company							
	Quarter ended										
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	March 31, 2004	June 30, 2004	September 30, 2004
	(in thousands except per share amounts)										
Operations:											
Net sales	$ 265,794	$ 281,989	$ 272,581	$ 273,349	$ 280,039	$ 288,878	$ 290,392	$ 300,125	$ 324,052	$ 324,160	$ 319,809
Cost of sales	57,072	62,734	58,892	56,857	56,961	58,401	58,987	61,437	63,618	66,245	68,961
Gross profit	208,722	219,255	213,689	216,492	223,078	230,477	231,405	238,688	260,434	257,915	250,848
Royalty Overrides	94,726	98,643	95,651	98,125	99,510	103,481	104,971	107,389	115,856	114,532	111,978
Marketing, distribution & administrative expenses	81,149	94,598	91,756	81,606	84,376	86,724	111,090	119,072	107,840	105,199	102,772
Acquisition transaction expenses	—	4,035	50,673	—	—	—	—	—	—	—	—
Operating income	32,847	21,979	(24,391)	36,761	39,192	40,272	15,344	12,227	36,738	38,184	36,098
Interest income (expense), net	575	452	(12,984)	(10,428)	(9,947)	(10,255)	(11,404)	(9,862)	(27,373)	(14,256)	(13,604)
Income before income taxes and minority interest	33,422	22,431	(37,375)	26,333	29,245	30,017	3,940	2,365	9,365	23,928	22,494
Income taxes	13,369	8,972	(12,198)	11,110	12,374	12,803	2,241	1,302	9,849	11,840	11,004
Income before minority interest	20,053	13,459	(25,177)	15,223	16,871	17,214	1,699	1,063	(484)	12,088	11,490
Minority interest	140	48	—	—	—	—	—	—	—	—	—
Net income	$ 19,913	$ 13,411	$ (25,177)	$ 15,223	$ 16,871	$ 17,214	$ 1,699	$ 1,063	$ (484)	$ 12,088	11,490
Earnings per share											
Basic	$ 0.62	$ 0.41	$ —	$ —	$ —	$ —	$ —	$ —	$ (0.02)	$ 0.12	0.11
Diluted	$ 0.60	$ 0.39	$ (0.01)	$ 0.15	$ 0.16	$ 0.16	$ 0.02	$ 0.01	$ —	$ 0.11	$ 0.10
Weighted average shares outstanding											
Basic	32,007	32,591	—	—	—	—	—	—	26,607	104,125	104,530
Diluted	33,291	34,051	102,041	102,041	103,841	106,667	108,784	108,678	109,892	110,132	111,320

(1) For the purposes of this presentation we have combined the result of operations of our Predecessor for the period July 1, 2002 through July 31, 2002 and the Company for the period August 1, 2002 through September 30, 2002. The earnings per share information pertain only to the Company for the period August 1, 2002 through September 30, 2002. Basic and diluted earnings per share for the predecessor for the period July 1 through July 31, 2002 was $(0.73) and $(0.70), respectively.

Contingencies

We are from time to time engaged in routine litigation. We regularly review all pending litigation matters in which we are involved and establish reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International was a defendant in a purported class action lawsuit in the U.S. District Court of California (*Jacobs v. Herbalife International, Inc., et al*) originally filed on February 19, 2002 challenging marketing practices of several distributors and Herbalife International under various state and federal laws. Without in any way admitting liability or wrongdoing, we have reached a binding settlement with the plaintiffs. Under the terms of the settlement, we (i) paid $3 million into a fund to be distributed to former Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter, (ii) will pay up to a maximum aggregate amount of $1 million, refund to former Supervisor-level distributors the amounts they had paid to purchase such Newest Way to Wealth materials from the other defendants in this matter, and (iii) will offer rebates up to a maximum aggregate amount of $2 million on certain new purchases of Herbalife products to those current Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter.

Herbalife International and certain of its distributors have been named as defendants in a purported class action lawsuit filed July 16, 2003 in the Circuit Court of Ohio County in the State of West Virginia (*Mey v. Herbalife International, Inc., et al*). Herbalife International had removed the lawsuit to federal court and the court has recently remanded the lawsuit to state court. The complaint alleges that certain telemarketing practices of certain Herbalife International distributors violate the Telephone Consumer Protection Act and seeks to hold Herbalife International liable for the practices of its distributors. More specifically, the plaintiffs' complaint alleges that several of Herbalife's distributors used pre-recorded telephone messages and autodialers to contact prospective customers in violation of the TCPA's prohibition of such practices. Herbalife's distributors are independent contractors and, if any such distributors in fact violated the TCPA, they also violated Herbalife's policies, which require its distributors to comply with all applicable federal, state and local laws. We believe that we have meritorious defenses to the suit.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been subjected to various product liability claims. The effects of these claims to date have not been material to us, and the reasonably possible range of exposure on currently existing claims is not material. We believe that we have meritorious defenses to the allegations contained in the lawsuits. We currently maintain product liability insurance with an annual deductible of $10.0 million.

Certain of our subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The aggregate amount of asserted taxes, penalties and interest to date is approximately $34 million. We and our tax advisors believe that there are meritorious defenses to the allegations that additional taxes are owing, and we are vigorously contesting the additional proposed taxes and related charges.

These matters may take several years to resolve, and we cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material adverse effect on our financial condition and operating results. This opinion is based on our belief that any losses we suffer in excess of amounts reserved would not be material, and that we have meritorious defenses. Although we have reserved an amount that we believe represents the likely outcome of the resolution of these disputes, if we are incorrect in our assessment we may have to pay the full amount assessed.

Quantitative and Qualitative Disclosures About Market Risks

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates. On a selected basis, we use derivative financial instruments to manage or hedge these risks. All hedging transactions are authorized and executed pursuant to written guidelines and procedures.

We have adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended and interpreted, established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the underlying hedged item are recognized concurrently in earnings. If the derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the statement of operations when the hedged item affects earnings. SFAS 133 defined new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized concurrently in earnings.

A discussion of our primary market risk exposures and derivatives is presented below.

Foreign Exchange Risk

We enter into foreign exchange derivatives in the ordinary course of business primarily to reduce exposure to currency fluctuations attributable to intercompany transactions and translation of local currency revenue. Most of these foreign exchange contracts are designated for forecasted transactions.

We purchase average rate put options, which give us the right, but not the obligation, to sell foreign currency at a specified exchange rate ("strike rate"). These contracts provide protection in the event that the foreign currency weakens beyond the option strike rate. In some instances, we sell ("write") foreign currency call options to finance the purchase of put options, which gives the counterparty the right, but not the obligation, to buy foreign currency from us at a specified strike rate. These contracts serve to limit the benefit we would otherwise derive from strengthening of the foreign currency beyond the strike rate. Such written call options are only entered into contemporaneously with purchased put options. The fair value of option contracts is based on third-party bank quotes.

The following table provides information about the details of our option contracts at September 30, 2004:

Foreign Currency	Coverage	Average Strike Price	Fair Value	Maturity Date
	(in millions)		(in millions)	
Purchased Puts (We may sell Yen/Buy USD)				
Japanese Yen	$ 10.5	102.98-106.80	$ 0.4	Oct-Dec 2004
Purchased Puts (We may sell Euro/Buy USD)				
Euro	$ 13.9	1.1550-1.2375	$ 0.9	Oct-Dec 2004

Foreign exchange forward contracts are occasionally used to hedge advances between subsidiaries and bank loans denominated in currencies other than their local currency. The objective of these contracts is to neutralize the impact of foreign currency movements on the subsidiary's operating results. The fair value of forward contracts is based on third-party bank quotes.

The following table provides information about the details of our forward contracts at September 30, 2004:

Foreign Currency	Contract Date	Forward Position	Maturity Date	Contract Rate	Fair Value
		(in millions)			(in millions)
Buy Euro sell USD	9/24/2004	$ 3.2	10/27/2004	1.8000	$ 3.3
Buy GBP sell USD	9/24/2004	$ 1.2	10/27/2004	7.3815	$ 1.2
Buy JPY sell USD	9/24/2004	$ 18.2	10/27/2004	110.6000	$ 18.3
Buy SEK sell USD	9/24/2004	$ 3.1	10/27/2004	1.2260	$ 3.2
Buy Euro sell RUB	9/27/2004	$ 2.0	10/27/2004	36.1557	$ 2.0
Buy DKK sell Euro	9/4/2004	$ 0.3	10/7/2004	7.4401	$ 0.3
Buy AUD sell Euro	9/4/2004	$ 2.4	10/7/2004	1.7510	$ 2.5
Buy NOK sell Euro	9/4/2004	$ 1.6	10/7/2004	8.3200	$ 1.6
Buy TWD sell Euro	9/4/2004	$ 1.1	10/7/2004	40.8342	$ 1.0

All our foreign subsidiaries, excluding those operating in hyper-inflationary environments, designate their local currencies as their functional currency. At September 30, 2004, the total amount of our foreign subsidiary cash was $65.4 million, of which $7.4 million was invested in U.S. dollars.

Interest Rate Risk

We have maintained an investment portfolio of high-quality marketable securities. According to our investment policy, we may invest in taxable and tax exempt instruments including asset-backed securities. In addition, the policy establishes limits on credit quality, maturity, issuer and type of instrument. We do not use derivative instruments to hedge our investment portfolio.

The table below presents principal cash flows and interest rates by maturity dates and the fair values of our borrowings as of September 30, 2004. Fair values for fixed rate borrowings have been determined based on recent market trade values. The fair values for variable rate borrowings approximate their carrying value. Variable interest rates disclosed represent the rates on the borrowings at September 30, 2004. Interest rate risk related to our capital leases is not significant.

	Expected Maturity Date							
	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
Long-term Debt								
Fixed Rate (in millions)	—	—	—	—	—	$ 158.3	$ 158.3	$ 182.8
Average Interest Rate							11.75%	
Variable Rate (in millions)	$ 4.3	$ 17.4	$ 17.4	$ 17.4	$ 10.2	—	$ 66.7	$ 66.7
Average Interest Rate	4.4%	4.4%	4.4%	4.4%	4.4%		4.4%	
Fixed Rate (in millions)	—	—	—	—	—	$ 267.9	$ 267.9	$ 297.7
Average Interest Rate							9.5%	

Interest rate caps are used to hedge the interest rate exposure on the term loan which has a variable interest rate. It provides protection in the event the LIBOR rate increases beyond the cap rate. The table below describes the interest rate cap that was outstanding at September 30, 2004.

Interest Rate	Notional Amount	Cap Rate	Fair Value	Maturity Date
	(in millions)		(in millions)	
Interest Rate Cap	$ 28.8	5%	—	October 2005

Critical Accounting Policies

Our Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing the financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

Revenue is recognized when products are shipped and title passes to the Independent Distributor or importer. Amounts billed for freight and handling costs are included in net sales. We generally receive the net sales price in cash or through credit card payments at the point of sale. Related royalty overrides and allowances for product returns are recorded when the merchandise is shipped.

Allowances for product returns primarily in connection with our buyback program are provided at the time the product is shipped. This accrual is based upon historic return rates for each country, which vary from zero to approximately 5.0% of net sales, and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Historically, product returns and buybacks have not been significant. Product returns and buybacks are approximately 2.0% of net sales for the nine months ended September 30, 2004 and were approximately 1.9%, 2.4% and 2.5% of net sales for the years ended December 31, 2003, 2002 and 2001, respectively. No material changes in estimates have been recognized for the nine months ended September 30, 2004 or for the years ended December 31, 2003, 2002 and 2001.

We write down our inventory to provide for estimated obsolete or unsalable inventory based on assumptions about future demand for our products and market conditions. If future demand and market conditions are less favorable than management's assumptions, additional inventory write-downs could be required. Likewise, favorable future demand and market conditions could positively impact future operating results if written-off inventory is sold. We reserved for obsolete and slow moving inventory totaling $5.5 million as of September 30, 2004 and $4.2 million, $8.4 million and $16.7 million as of December 31, 2003, 2002 and 2001, respectively.

In accordance with Statement 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill and other intangibles not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. This determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill and other intangibles over the implied fair value. The implied fair value is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with FASB Statement No. 141, *Business Combinations.* The residual fair value after this allocation is the implied fair value of the reporting unit goodwill and other intangibles. As of September 30, 2004, we had goodwill of approximately $167.5 million, marketing franchise of $310.0 million, and other intangible assets of $8.9 million. No write-downs have been recognized for the nine months ended September 30, 2004 or for the years ended December 31, 2003, 2002 or 2001.

Contingencies are accounted for in accordance with SFAS 5, "Accounting for Contingencies." SFAS 5 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires us to use judgment. Many of these legal and tax contingencies can take years to be resolved. Generally, as the time period increases over which the uncertainties are resolved, and the likelihood of changes to the estimate of the ultimate outcome increases.

Deferred income tax assets have been established for net operating loss carryforwards of certain foreign subsidiaries and have been reduced by a valuation allowance to reflect them at amounts estimated to be ultimately recognized. The net operating loss carryforwards expire in varying amounts over a future period of time. Realization of the income tax carryforwards is dependent on generating sufficient taxable income prior to expiration of the carryforwards. Although realization is not assured, we believe it is more likely than not that the net carrying value of the income tax carryforwards will be realized. The amount of the income tax carryforwards that is considered realizable, however, could change if estimates of future taxable income during the carryforward period are adjusted.

New Accounting Pronouncements

In December 2003, the SEC issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which codifies, revises, and rescinds certain sections of SAB No. 101, "Revenue Recognition," in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on our consolidated results of operations, consolidated financial position, or consolidated cash flows.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards on the classification and measurement of certain instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 requires the classification of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares, as a liability. The adoption of SFAS 150 did not have a material effect on our consolidated financial returns.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivative contains a financing component, and amends certain other existing pronouncements. The adoption of SFAS 149 did not have a material effect on our consolidated financial statements.

The FASB issued Interpretation 46 ("FIN 46"), "Consolidation of Variable Interest Entities" in January 2003, and a revised interpretation of FIN 46 ("FIN 46-R"). FIN 46 requires certain variable interest entities ("VIEs") to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or sufficient equity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. We have not invested in any entities that we believe are VIEs for which we are the primary beneficiary. The adoption of FIN 46 and FIN 46-R had no impact on our financial position, results of operations, or cash flows.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. We do not have any material guarantees that require disclosure under FIN 45.

FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. FIN 45 requires the guarantor to recognize a liability for the non-contingent component of a guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The initial recognition and measurement provisions are effective for all guarantees within the scope of FIN 45 issued or modified after December 31, 2002. We have adopted the disclosure requirements of FIN 45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002.

For the year ended December 31, 2003 and the nine months ended September 30, 2004, we have not entered into any guarantees within the scope of FIN 45.

The FASB recently issued a proposed pronouncement that, if finalized in its current form, would require that we record compensation expense for stock options issued based on the estimated fair value of the options at the date of grant. We currently are not required to record stock-based compensation charges if the employee's stock option exercise price is equal to or exceeds the fair value of the stock at the date of grant. We have not yet determined what impact, if any, the proposed pronouncement would have on our financial statements.

BUSINESS

Herbalife

We are a global network marketing company that sells weight management, nutritional supplement and personal care products. We pursue our mission of "changing people's lives" by providing a financially rewarding business opportunity to distributors and quality products to distributors and customers who seek a healthy lifestyle. We are one of the largest network marketing companies in the world with net sales of approximately $1.2 billion for the fiscal year ended December 31, 2003. We sell our products in 59 countries through a network of over one million independent distributors. We believe the quality of our products and the effectiveness of our distribution network, coupled with geographic expansion, have been the primary reasons for our success throughout our 24-year operating history.

We offer three categories of products: weight management, inner nutrition, and Outer Nutrition®. Our weight management product portfolio includes meal replacements, weight-loss accelerators and a variety of healthy snacks. In March 2004, we launched the *ShapeWorks*™ weight management program, an enhancement to our best-selling Formula 1 weight management product, which personalizes protein intake and includes a customized meal plan. Our collection of inner nutrition products consists of dietary and nutritional supplements, each containing quality herbs, vitamins, minerals and natural ingredients in support of total well-being and long-term good health. In 2003, we introduced *Niteworks*™, which supports energy, vascular and circulatory health. Our Outer Nutrition® products include skin cleansers, moisturizers, lotions, shampoos and conditioners, each based on botanical formulas to revitalize, soothe, and smooth body, skin and hair. Weight management, inner nutrition, and Outer Nutrition® accounted for 43.1%, 43.6% and 9.1% of our net sales in fiscal year 2003, respectively.

In the course of our product developments efforts, we are committed to providing products with scientific substantiation. For new products, we assure product safety and scientific substantiation by reviewing available product and ingredient data, by consulting with medical, scientific and regulatory experts, and by testing final product content and stability. While we do not routinely do pre-market clinical tests on our products, we do clinical tests as necessary to meet regulatory requirements. In addition, we have two human clinical trials underway that examine the health benefits of several existing products. Both have what we believe are very robust scientific designs and are being executed according to good clinical practice standard operating procedures at UCLA. Both studies are blinded and the results are unknown. Thus, we have not publicly announced these studies.

We have significantly increased our emphasis on scientific research in the fields of weight management and nutrition over the past two years. We believe that our focus on nutrition science will continue to result in meaningful product enhancements that differentiate our products in the marketplace. Our research and development organization combines the experience of product development scientists within our Company with an external team including world-renowned scientists. Additionally, we contributed to the establishment of the Mark Hughes Cellular and Molecular Nutrition Lab at UCLA (the "UCLA Lab"), which is an independent lab devoted to the advancement of nutrition science. We introduced *Niteworks*™, a cardiovascular product developed in conjunction with Louis Ignarro, Ph.D., a Nobel Laureate in Medicine in 2003 and, in March 2004, we introduced *ShapeWorks*™, a comprehensive weight management program based on the clinical experience and the 15 years of meal replacement research of David Heber, M.D., Ph.D., Professor of Medicine and Public Health at the UCLA School of Medicine, Director of the UCLA Center for Human Nutrition and Director of the UCLA Center for Dietary Supplement Research in Botanicals.

We recently established a 14-member Scientific Advisory Board, comprised of world-renowned scientists, and a Medical Advisory Board consisting of leading scientists and medical doctors. We consult with members of our Scientific Advisory Board on the advancements in the field of nutrition science, while our Medical Advisory Board provides training on product usage and gives health-news updates through Herbalife literature, the internet and live training events around the world. The boards, both chaired by Dr. David Heber, support our internal product development team by providing expertise on obesity and human nutrition, conducting product research, and advising on product concepts. In addition, in early 2003, we contributed to the establishment of the UCLA Lab. The UCLA Lab's mission is to advance nutrition science to new levels of understanding by using the most progressive research and development technologies available.

We believe that the direct-selling channel is ideally suited to marketing our products, because sales of weight management, nutrition and personal care products are strengthened by ongoing personal contact between retail consumers and distributors. This personal contact may enhance consumers' nutritional and health education and motivate consumers to begin and maintain wellness and weight management programs. In addition, by using our products themselves, distributors can provide first-hand testimonials of product effectiveness, which can serve as a powerful sales tool.

We are focused on building and maintaining our distributor network by offering financially rewarding and flexible career opportunities through sales of quality, innovative products to health conscious consumers. We believe the income opportunity provided by our network marketing program appeals to a broad cross-section of people throughout the world, particularly those seeking to supplement family income, start a home business or pursue entrepreneurial, full and part-time, employment opportunities. Our distributors, who are all independent contractors, can profit from selling our products and can also earn royalties and bonuses on sales made by the distributors whom they recruit to join their sales organizations.

We enable distributors to maximize their potential by providing a broad array of motivational, educational and support services. We motivate our distributors through our performance-based compensation plan, individual recognition, reward programs and promotions, and participation in local, national and international Company-sponsored sales events and Extravaganzas. We are committed to providing professionally designed educational training materials that our distributors can use to enhance recruitment and to maximize their sales. We and our distributor leadership conduct thousands of training sessions annually throughout the world to educate and motivate our distributors. These training events teach our distributors not only how to develop invaluable business-building and leadership skills, but also how to differentiate our products with their consumers. Our corporate-sponsored training events provide a forum for distributors, who otherwise operate independently, to share ideas with us and each other. In addition, our internet-based Herbalife Broadcasting Network delivers, on a 24-hour basis worldwide, educational, motivational and inspirational content, including addresses from our CEO. Our efficient and effective distribution, logistics and customer care support system assists our distributors by providing next-day sales capabilities and support services. We further aid our distributors by generating additional demand for our products through traditional marketing and public relations methods, such as through television ads, sporting event sponsorships and endorsements.

We were founded in 1980 by Mark Hughes. We were acquired in 2002 by an investment group led by Whitney and Golden Gate. To consummate this acquisition, Whitney and Golden Gate and their affiliates formed a new holding company called WH Holdings (Cayman Islands) Ltd., a Cayman Islands exempted limited liability company, and several new direct and indirect wholly owned subsidiaries of that holding company, including an acquisition vehicle called WH Acquisition Corp., a Nevada corporation, in order to acquire us. On July 31, 2002, WH Acquisition acquired us pursuant to an Agreement and Plan of Merger we entered into on April 10, 2002. Pursuant to this merger, each of our shareholders received $19.50 in cash for each common share, and the holders of each outstanding option to purchase our shares received an amount in cash equal to the excess of $19.50 over the price of the option. The $19.50 share price was reached based on an independent valuation study. As a result of the acquisition, we became a privately held company and were delisted from the NASDAQ National Market at that time.

Our Market Opportunity

According to the World Federation of Direct Selling Associations, the global direct selling market, which includes sales through network marketing and direct mail, reached $86 billion in sales in 2002. The area in which we primarily compete, health and wellness, comprised 15.4% of the 2002 total direct selling market according to the Direct Selling Association. According to the Nutrition Business Journal, the U.S. nutritional supplements market grew 5.7% in 2003 to $19.8 billion, of which the weight-loss supplements segment represented $4.2 billion or 21.3%. In addition, the Nutrition Business Journal reported that sales of weight-loss supplements are projected to grow at a 6.8% compound annual growth rate from 2004 through 2010.

We believe that the increasing prevalence of obesity and the aging worldwide population are driving demand for nutrition and wellness-related products. The number of obese adults worldwide has increased from 200 million in 1995 to 300 million in 2000, an increase of 50% based on a study by the World Health Organization. Trends in dieting have followed the higher prevalence of obesity. A 2003 U.S. News & World Report article estimated that 44% of women and 29% of men in the U.S. were on a diet on any given day. According to the Centers for Disease Control, by 2030, the number of adults aged 65 or over is expected to increase from 6.9% to 12.0% of the worldwide population.

Our Competitive Strengths

We believe that our success stems from our ability to inspire and motivate our distributor network with a range of quality, innovative products that appeal to consumer preferences for healthy living. We have been able to achieve sustained and profitable growth by capitalizing on the following competitive strengths:

Large, Highly-Motivated Distributor Base. We had over one million distributors, including over 266,000 supervisors, as of September 30, 2004. Because we believe the network marketing model is the most effective way to sell our products, we devote significant resources and management attention to assist our distributor leadership in recruiting and retaining our distributors. We structured our compensation system to encourage distributors to remain active in the business and to build down-line sales organizations of their own, which can serve to increase their income and to increase our product sales.

Diverse and Well-Established Product Portfolio. We are committed to building brand, distributor and customer loyalty by providing a diverse portfolio of health-oriented and wellness products. We currently have 126 products encompassing over 3,100 SKUs across our three primary product categories. The breadth of our product offerings enables our distributors to sell a comprehensive package of products designed to simplify weight management and nutrition. While we improve upon our product formulations based upon developments in nutrition science, several of our products have been in existence for many years. For example, we first introduced our weight management product, Formula 1, in 1980, and it remains our best-selling product. We believe that the longevity and variety in our product portfolio significantly enhances our distributors' abilities to build their businesses.

Nutrition Science-Based Product Development. We endeavor to meet the highest industry standards for quality, safety and efficacy. We have significantly increased our emphasis on scientific research in the fields of weight management and nutrition during the past two years. We have an internal team of scientists dedicated to continually evaluating opportunities to enhance our existing products and to develop new products. These new product development efforts are reviewed by doctors and scientists who we believe are among the most respected medical and nutrition experts in the world, and who constitute our Scientific Advisory Board and Medical Advisory Board. In addition, in the past year we provided a donation to assist in the establishment of the UCLA Lab. We believe that the UCLA Lab provides opportunities for Herbalife to access cutting-edge science in herbal research and nutrition that may ultimately be applied to enhance and advance our product development efforts.

Scalable Business Model. Our business model enables us to grow our business with minimal investment in our infrastructure and other fixed costs. We require no company-employed sales force to market and sell our products, we incur no direct incremental cost to add a new distributor, and our distributor compensation varies directly with sales. In addition, our distributors bear the majority of our consumer marketing expenses, and supervisors sponsor and coordinate a large share of distributor recruiting and training initiatives. Furthermore, we can readily increase production and distribution of our products as a result of our multiple third party manufacturing relationships and our global footprint of in-house distribution centers.

Geographic Diversification. We have a proven ability to establish our network marketing organization in new markets. Since our founding 24 years ago, we have expanded into 59 countries, including 22 countries in the last six years. While sales within our local markets may fluctuate due to economic conditions, competitive pressures, political or social instability or for other reasons, we believe that our geographic diversity mitigates our financial exposure to any particular market. For the fiscal year ended December 31, 2003, 36.6% of our net sales were in the Americas, 38.7% in Europe, and 24.7% in Asia/Pacific Rim.

Experienced Management Team. Since the Acquisition, we have significantly strengthened our management team with experienced executives from both inside and outside our industry who have successfully managed and grown international, consumer-oriented businesses. In April 2003, Michael O. Johnson became our Chief Executive Officer after spending 17 years with The Walt Disney Company, where he most recently served as President of Walt Disney International. During his tenure at Disney, Mr. Johnson successfully led several multi-billion dollar branded and international businesses. Since joining our Company, Mr. Johnson has assembled a team of experienced executives, including Gregory Probert, Chief Operating Officer and formerly Chief Executive Officer of DMX Music and Chief Operating Officer of The Walt Disney Company's Buena Vista Home Entertainment division; Richard Goudis, Chief Financial Officer and formerly Chief Operating Officer of Rexall Sundown; and Brett R. Chapman, General Counsel and formerly Senior Vice President and Deputy General Counsel at The Walt Disney Company. In addition, Henry Burdick, former Chairman and CEO of Pharmanex, now part of Nu Skin Enterprises, is Vice Chairman and in charge of new product development. We depend on the continued services of our current senior management team and the relationships that they have developed with our senior distributor leadership, especially in light of the high level of turnover in our former senior management team, and the resulting need to re-establish good working relationships with our senior distributor leadership, after the death of our founder in May of 2000.

Our Business Strategy

We believe that our network marketing model is the most effective way to sell our products. Our objective is to increase the recruitment, retention and productivity of our distributor base by pursuing distributor, consumer, product and infrastructure strategies. Our strategic initiatives consist of the following:

Enter New Markets. A key component of our growth strategy is to continue to enter into and expand new markets, particularly China, which represents a significant market opportunity. China remains a relatively untapped direct selling and nutritional supplement market. As a result of China's admission to the World Trade Organization, China has agreed to establish direct-selling regulations by December 2004. As such, we believe that China could become one of the largest direct-selling markets in the world over the next several years. We plan to aggressively build our China business. We have hired a managing director for China and are in the process of acquiring real estate and registering our products there. In addition, we are evaluating the feasibility of opening new countries in Eastern Europe, Southeast Asia and South America.

Further Penetrate Existing Markets. We believe that there are several opportunities to further penetrate our existing markets. For example, in the U.S., we offer approximately 100 products, while in our other key markets, we offer on average only 53 products. The Company has a three-year plan to license and introduce many of its key products in its major international markets. For example, *ShapeWorks*™ and *Niteworks*™ are currently not sold in Europe, Japan or Korea. We are currently working with local regulators to have these products licensed in those markets and expect to be in a position to commence sales in certain of those markets as early as the fourth quarter of 2004. We believe that introducing new products such as *ShapeWorks™* and *Niteworks™* into these key markets can help increase distributor recruitment, retention and productivity. Even in the U.S., our largest market, we believe that there are opportunities to further penetrate the market given that sales are concentrated in approximately 13 metropolitan areas. Management is working with distributor leadership to develop specific marketing plans to further penetrate these and other markets. These plans include developing products that suit individual lifestyles and appeal to ethnic tastes, and building local sales centers.

Pursue Local Initiatives. We empower our local managers to pursue initiatives to address the many unique local and regional needs of our diverse geographic markets. To broaden access to management and provide leadership locally, we have deployed senior management to regional offices in the Americas, Asia/Pacific, Europe, Japan and China. Management is encouraged to establish programs and to tailor our products to appeal to local tastes and customs. For example, we introduced a green tea flavored version of our Formula 1 protein shake in Japan in 2003. In addition, our distributors have established nutrition clubs in Mexico that provide access to Herbalife nutrition products through single-serve packaging which suits the daily consumption habits in Mexico. This program is especially well suited for countries or communities where consumers do not buy in bulk but prefer to shop daily. These nutrition clubs have played a significant role in Mexico's growth. Year to date Volume Points in Mexico have increased 39% compared to the same period in 2003. Based on recent distributor surveys, management estimates that 35% to 45% of all sales in Mexico are now attributable to Nutrition Clubs. We believe that our distributors could enhance their sales by introducing similar programs in countries with similar economic and demographic profiles.

Introduce New Products and Develop Niche Market Segments. We are committed to providing our distributors with unique, innovative products to help them increase sales and recruit new distributors. We are focused on incorporating the best science and most current nutrition insight into our products and will clinically test our products as appropriate to better understand their health benefits. We also intend to repackage and reposition current products to better target cultural, ethnic and niche market segments and to broaden the demographic profile of our distributor base. For example, we are expanding our weight-management, cardiovascular and anti-aging product lines, developing products to serve the children's nutrition, sports nutrition and general nutrition markets and targeting a new generation of distributors under 30 years old, "stay-at-home moms" and athletes.

Further Invest in Our Infrastructure. In 2003, we embarked upon a strategic initiative to significantly upgrade our technology infrastructure globally. We intend to invest an aggregate of approximately $50 million in connection with this initiative, of which we have invested approximately $22 million through September 30, 2004, and we intend to invest an additional $18 million through December 31, 2005 and an additional $10 million during the year ending December 31, 2006. We are implementing an Oracle enterprise-wide technology solution, a scalable and stable open architecture platform, to enhance the efficiency and productivity of the Company and our distributors. In addition, we are upgrading our internet-based marketing and distributor services platform, *MyHerbalife.com*. Through this platform our distributors can access timely reports regarding their down-line sales organizations and obtain information concerning promotional activities, new product releases and local sales and training events. We expect these initiatives to be substantially complete in 2006.

Product Overview

For 24 years, our products have been designed to help distributors and customers from around the world lose weight, improve their health, and experience life-changing results. We have built our heritage on developing formulas that blend the best of nature with innovative techniques from nutrition science, appealing to the growing base of consumers seeking to live a healthier lifestyle.

We currently market and sell 126 products encompassing over 3,100 SKUs through our distributors and have approximately 1,600 trademarks globally. We group our products into three categories: weight management, inner nutrition, and Outer Nutrition®. Our products are often sold in programs, which are comprised of a series of related products designed to simplify weight management and nutrition for our consumers and maximize our distributors' cross-selling opportunities. These programs target specific consumer market segments, such as women, men, mature adults, sports enthusiasts, as well as weight-loss and weight-management customers and individuals looking to enhance their overall well-being.

The following table summarizes our products by product category. The net sales figures are for the year ended December 31, 2003.

Product Category	Description	Representative Products
Weight Management (43.1% of 2003 Net Sales)	Meal replacements, weight-loss accelerators and a variety of healthy snacks	Formula 1 *Personalized Protein Powder* *Total Control*® High Protein Bars and Snacks
Inner Nutrition (43.6% of 2003 Net Sales)	Dietary and nutritional supplements containing quality herbs, vitamins, minerals and other natural ingredients	*Niteworks*™ *Garden 7*™ Aloe Concentrate Joint Support
Outer Nutrition® (9.1% of 2003 Net Sales)	Skin cleansers, moisturizers, lotions, shampoos and conditioners	*Skin Activator*® Cream *Radiant C*™ Body Lotion Herbal Aloe Everyday Shampoo Mystic Mask

Weight management

We believe that our products have helped millions of people manage their weight safely and effectively. Our weight-management products include the following:

- Formula 1 Protein Drink Mix, a meal-replacement protein powder available in five different flavors;
- Formula 2 Multivitamin-Mineral & Herbal Tablets, which provide essential vitamins and nutrients and are part of our weight-management programs;
- Personalized Protein Powder, a high-quality soy and whey protein source developed to be added to our meal replacements to boost protein intake and decrease hunger;
- weight-loss accelerators, including *Total Control*®, *Cell Activator* and *Snack Defense*™, which address specific challenges associated with dieting; and
- healthy snacks, formulated to provide between-meal nutrition and satisfaction.

Our best-selling Formula 1 meal replacement product has been part of our basic weight management program for 24 years and generates approximately 23% of our net sales year-to-date through September 30, 2004. In March 2004, we introduced *ShapeWorks*™, a personalized protein-based meal replacement program based on the clinical experience and 15 years of meal replacement research of Dr. David Heber, Director of the UCLA Center for Human Nutrition. The *ShapeWorks*™ program incorporates several of our leading weight management products, including the products listed above. Our distributors help identify body type, analyze lean body mass, and customize a *ShapeWorks™* program that can help increase metabolism and control hunger.

Inner nutrition

We market numerous dietary and nutritional supplements designed to meet our customers' specific nutritional needs. Each of these supplements contains quality herbs, vitamins, minerals and other natural ingredients and focuses on specific lifestages and lifestyles of our customers, including women, men, children, mature adults, and athletes. For example, in 2003, we introduced *Niteworks™*, a product developed in conjunction with Nobel Laureate in Medicine, Dr. Louis Ignarro. *Niteworks™* supports energy, circulatory and vascular health and enhances blood flow to the heart, brain and other vital organs. Another new product, *Garden 7™*, provides the phytonutrient benefits of seven servings of fruits and vegetables, has anti-oxidant and health-boosting properties, and comes in convenient daily packs which can make nutrition simple. We have also recently introduced *Herbalifeline®,* a new product that provides a supplemental daily intake of the Omega-3 fatty acids, eicosapentaenoic acid and docosahexaenoic acid, which we believe can help maintain healthy triglyceride levels that are already within normal range and reduce joint discomfort.

Outer Nutrition®

Our Outer Nutrition® products complement our weight-management and inner nutrition products and improve the appearance of the body, skin and hair. These products include skin cleansers, toners, moisturizers and facial masks, shampoos and conditioners, body-wash items and a selection of fragrances for men and women under the brand names *Nature's Mirror®*, *Radiant C™* and *Skin Activator®,* among others. For example, our *Radiant C™ Daily Skin Booster* harnesses the antioxidant power of vitamin C in a light gel-cream to help seal in moisture and minimize the appearance of fine lines and wrinkles. In addition, we offer *Skin Activator®*, an advanced cream based on glucosamine, almond oil, green tea and sugar that is also designed to reduce the appearance of fine lines and wrinkles, help skin regain a smoother, firmer appearance, and protect from dryness.

Literature, promotional and other products

We also sell literature and promotional materials, including sales aids, informational audiotapes, videotapes, CDs and DVDs designed to support our distributors' marketing efforts, as well as start-up kits called "International Business Packs" for new distributors. For the year ended December 31, 2003, $48.5 million or 4.2% of our net sales were derived from literature and promotional materials

Product Development

We are committed to providing our distributors with unique, innovative products to help them increase sales and recruit additional distributors. We accomplish this through reformulating existing product lines and by introducing new products. We have built a world-class product development team including eight Ph.D.'s to formulate, review and evaluate new product ideas. This team is headed by our Vice Chairman Henry Burdick, founder and former Chairman, CEO and President of Pharmavite, makers of the Nature Made brand of supplements, and former Chairman and CEO of Pharmanex, now part of Nu Skin Enterprises. Our product developers receive valuable input from the Company's marketing group, our distributors, employees, and scientific and medical advisors and gather information from numerous outside parties including scientific and medical journals, third party manufacturers, and trade publications. This team identifies targeted new product focus areas as well as ways to enhance our existing products. Once a particular market opportunity has been identified, our marketing and science professionals collaborate to ensure a successful development and launch of the product.

We are committed to improving and enhancing our products through our product development efforts. With regard to the weight management and inner nutrition categories, new product development involves all of our product strategies groups including the product marketing, licensing, manufacturing, medical affairs, scientific affairs, technical services and quality control groups. Product development generally begins with the scientific affairs group overseeing product design and feasibility research, and the technical services group overseeing scientific substantiation (evaluation of safety and efficacy), expert reviews and related product research. Product designs are transferred to technical services for development at the pre-prototype phase, but technically complex products are often taken to prototype phase by scientific affairs before transfer. The technical services group then develops the manufacturing specifications/technology transfer package, which often requires development of a prototype, and tests product stability. Prototypes are developed using contract facilities, with oversight by either scientific affairs or technical services, as appropriate. The quality control group, with support from the technical services group, is responsible for analytical methods development for ingredient label claims and manufacturing product release. Manufacturing is generally out-sourced to qualified vendors, although some products are manufactured at our China manufacturing facility. Product quality assurance is the responsibility of our quality control group.

With regard to the Outer Nutrition® category, new product development involves undertaking market trend and competitor assessment. We then undertake ideation, which involves creating ideas that fill our needs or our gaps but that conform with our overall business strategy. We test final ideas with our distributors via global quantitative testing. Those ideas that have high retail potential and high personal use potential are considered for development. We then initiate development and undertake sensory tests and home use tests to determine if we need to make any aesthetic improvements. Next, we test products in clinical trials or with expert panels for efficacy, safety and claim substantiation. Finally, we scale up for launch, complete stability and launch.

During the past two years, we have significantly increased our emphasis on the science of weight management and nutrition. This is illustrated by our assembly of a dedicated internal product development team composed of leading scientists as well as our recent establishment of a Scientific Advisory Board and Medical Advisory Board. Our Scientific Advisory Board is comprised of 14 renowned international scientists who are experts in the fields of obesity and human nutrition, and who conduct product research and advise on product concepts. Members of this board include David Heber, M.D., Ph.D., Professor of Medicine and Public Health at the UCLA School of Medicine, Director of the UCLA Center for Human Nutrition and Director of the UCLA Center for Dietary Supplement Research in Botanicals, and Louis Ignarro, Ph.D., Distinguished Professor of Pharmacology at the UCLA School of Medicine and Nobel Laureate in Medicine. In addition, our Medical Advisory Board is comprised of three leading scientists and medical doctors, who provide training on product usage and give health-news updates through Herbalife literature, the internet, and live training events around the world.

We believe that it is important to maintain our relationships with the members of our Scientific and Medical Advisory Boards and to recognize the time and effort that they expend on our behalf. As a result, we have agreed to compensate the members of these advisory boards as follows. A consulting firm with which Dr. Ignarro is affiliated is entitled to receive a small percentage of the amount of (i) *Niteworks*™, (ii) certain "healthy heart" products, and (iii) other products that we may mutually designate in the future that are, in each case, sold with the aid of Dr. Ignarro's consulting, promotional or endorsement services. In addition, we have an informal arrangement with Dr. Heber pursuant to which we have agreed to make contributions from time to time to UCLA to fund research. Dr. Heber receives no direct compensation from us although we do reimburse him for travel expenses. Twelve members of our Scientific Advisory Board are compensated for their time and efforts in the following manner: (i) one member is an Herbalife employee whose compensation for service on the board is reflected in that person's salary; (ii) one member is also a consultant to us whose compensation for service on the board is reflected in their consulting fees, and (iii) ten members are paid an annual retainer of $5,000 plus travel expenses. In addition, the two members of our Medical Advisory Board other than Dr. Heber (whose compensation is described above) are compensated as follows: (i) one member is an Herbalife employee whose compensation is reflected in her salary, and (ii) one member receives a monthly retainer of $5,000, plus $3,000 for every day that he appears at a non-southern California distributor event and $2,000 for every date that he needs to travel to such events.

In 2002 and 2003, we contributed to the establishment of the UCLA Lab through a grant aggregating $500,000. UCLA agreed that the grant would be used to further research and education in the fields of weight management and botanical dietary supplements and that this research would be overseen by Dr. Heber. The UCLA Lab's overall mission is to advance nutrition science to new levels of understanding by using the most progressive research and development technologies available. For example, the UCLA Lab has analytical equipment and other technologies that facilitate the fingerprinting of herbs, which involves the separation and chemical characterization of complex botanical extracts, with excellent efficiency and accuracy. This may enable UCLA researchers to fingerprint herbs and to couple this with tests of the effects of herbs on living cells. While our direct relationship with UCLA is currently limited to conducting two ongoing clinical studies there, we intend to take full advantage of the expertise at UCLA by committing to support research that will identify the active ingredients in botanicals and their biologic effects.

We believe our focus on nutrition science and our efforts at combining our own research and development efforts with the scientific expertise of our Scientific Advisory Board, the educational skills of the Medical Advisory Board, and the resources of the UCLA Lab will result in meaningful product introductions and give our distributors and consumers increased confidence in our products.

Network Marketing Program

General

Our products are distributed through a global network marketing organization comprised of over one million independent distributors in 59 countries, except in China where our sales are currently regulated to be conducted on a wholesale basis to local retailers. In addition to helping them achieve physical health and wellness through use of our products, we offer our distributors, who are independent contractors, what we believe is one of the most attractive income opportunities in the direct selling industry. Distributors may earn income on their own sales and can also earn royalties and bonuses on sales made by the distributors in their sales organizations. We believe that our products are particularly well-suited to the network marketing distribution channel because sales of weight management and health and wellness products are strengthened by ongoing personal contact between retail consumers and distributors. We believe our continued commitment to developing innovative, science-based products will enhance our ability to attract new distributors as well as increase the productivity and retention of existing distributors. Furthermore, our international sponsorship program, which permits distributors to sponsor distributors in other countries where we are licensed to do business and where we have obtained required product approvals, provides a significant advantage to our distributors as compared with distributors in some other network marketing organizations.

In connection with the Acquisition, we entered into an agreement with our distributors on July 18, 2002 that no material changes adverse to the distributors will be made to the existing marketing plan and that we will continue to distribute Herbalife products exclusively through our independent distributors. We believe that this agreement has strengthened our relationship with our existing distributors, improved our ability to recruit new distributors and generally increased the long-term stability of our business.

Structure of the network marketing program

To become a distributor, a person must be sponsored by an existing distributor, except in China where no sponsorship is allowed, and must purchase an International Business Pack from us, except in South Korea, where there is no charge for a distributor kit. The International Business Pack is a distributor kit sold in local languages. The kit comes in two sizes. The larger kit costs the local currency equivalent of about $75 and includes a can of *ShapeWorks*™/Formula 1, several bottles of different nutritional supplements, booklets describing us, our compensation plan and rules of conduct, various training and promotional materials, distributor applications and a product catalog. The smaller version costs the local currency equivalent of about $50 and includes sample products and essentially the same print and promotional materials as included in the larger kit version. To become a supervisor or qualify for a higher level, distributors must achieve specified volumes of product purchases or earn certain amounts of royalty overrides during specified time periods and must re-qualify for the levels once each year. To attain supervisor status, a distributor generally must purchase products representing at least 4,000 volume points in one month or 2,500 volume points in two consecutive months. China has its own unique qualifying program. Volume points are point values assigned to each of our products that are equal in all countries and are based on the suggested retail price of U.S. products (one volume point equates to one U.S. dollar). supervisors may then attain higher levels, which consist of the World Team, the Global Expansion Team, the Millionaire Team, the President's Team, the Chairman's Club and ultimately the Founder's Circle, earn increasing amounts of royalty overrides based on purchases by distributors within their organizations and, for members of our Global Expansion Team and above, earn production bonuses on sales in their downline sales organizations. Supervisors contribute significantly to our sales and some key supervisors who have attained the highest levels within our distributor network are responsible for their organization's generation of a substantial portion of our sales and for recruiting a substantial number of our distributors.

The following table sets forth the number of our supervisors at the dates indicated:

	February*				
	2000	**2001**	**2002**	**2003**	**2004****
The Americas	46,113	55,465	62,737	67,921	75,359
Europe	44,297	42,419	47,230	51,290	70,239
Asia/Pacific Rim	37,561	43,230	40,423	35,637	31,790
Japan	32,025	23,589	22,013	18,287	13,946
Worldwide	159,996	164,703	172,403	173,135	191,334

* In February of each year, we delete from the rank of supervisor those supervisors who did not satisfy the supervisor qualification requirements during the preceding twelve months. Distributors who meet the supervisor requirements at any time during the year are promoted to supervisor status at that time, including any supervisors who were deleted, but who subsequently requalified. For the latest twelve month re-qualification period ending January 2004, 71% of our supervisors did not re-qualify and approximately 100% of our distributors that are not supervisors turned over. Distributors who purchase our product for personal consumption or for short term income goals may stay with us for several months to one year. Supervisors who have committed time and effort to build a sales organization generally stay for longer periods. We rely on distributors' certifications as to the amount and source of their product purchases from other distributors. In order to increase our retention of distributors, we have modified our requalification criteria to provide that any distributor that earns at least 4,000 volume points in any 12-month period can requalify as a supervisor and retain a discount of 50% from suggested retail prices, but will forfeit their distributor organization and associated earnings. For a supervisor to requalify and retain their distributor organization and associated earnings, they need to earn 4,000 volume points in one month or 2,500 volume points in two consecutive months. Although we apply review procedures with respect to the certifications, they are not directly verifiable by us.

** In 2004 certain modifications were made to the requalifications resulting in approximately 19,000 additional supervisors.

Distributor earnings

Distributor earnings are derived from several sources. First, distributors may earn profits by purchasing our products at wholesale prices, which are discounted 25% to 50% from suggested retail prices, depending on the distributors' level within our distributor network, and selling our products to retail customers or to other distributors. Second, distributors who sponsor other distributors and establish their own sales organizations may earn (i) royalty overrides, 15% of product retail sales in the aggregate, (ii) production bonuses, 7% of product retail sales in the aggregate and (iii) President's Team bonus, 1% of product retail sales in the aggregate. Royalty overrides together with the distributor allowances represent the potential earnings to distributors of up to approximately 73% of retail sales. In China, distributors are limited to earn profits from retailing our products by purchasing our products with discounts and rebates up to 50% of suggested retail price and then reselling them to customers. Distributors may also earn a 5% or 10% sales volume bonus on their own purchases.

Distributors earn the right to receive royalty overrides upon attaining the level of supervisor and above, and production bonuses upon attaining the level of Global Expansion Team and above. Once a distributor becomes a supervisor, he or she has an incentive to qualify, by earning specified amounts of royalty overrides, as a member of the Global Expansion Team, the Millionaire Team or the President's Team, and thereby receive production bonuses of up to 7%. We believe that the right of distributors to earn royalty overrides and production bonuses contributes significantly to our ability to retain our most productive distributors.

As noted above, our compensation plan offers distributors opportunities to achieve higher levels of potential earnings up to ultimately 73% of retail sales, through a combination of royalty overrides and distributor allowances. Each distributor's success is dependent on two primary factors: the time, effort and commitment a distributor puts into his or her Herbalife business and the product sales made by a distributor and his or her sales organization.

The following table summarizes supervisor payouts in 2003:

	Number of individuals	Estimated Average Annual Earnings in 2003
Chairman's Club	22	$ 1,900,000
President's Team	694	$ 307,000
All Supervisors	191,000	$ 6,000

Many of our non-supervisor distributors join Herbalife to get a 25% discount on our products and become a discount consumer or merely have a part-time income goal in mind. Consequently, non-supervisor earnings tend to be relatively low.

We believe that, relative to our competitors, our compensation plan provides an attractive financial opportunity to our commited distributors. In 2003, a consulting firm compared our distributor marketing program with NuSkin, Nature's Sunshine and Pre-paid Legal and advised that our payout is greater when wholesale profit is included. When reviewing competitor literature or websites, we have not seen payouts higher than our payout of up to 73% of retail sales.

Distributor motivation and training

We believe that motivation, inspiration and training are key elements in distributor success and that we and our distributor supervisors have established a consistent schedule of events to support these needs. We and our distributor leadership conduct thousands of training sessions annually on local, regional and global levels to educate and motivate our distributors. Every month, there are hundreds of 1-day Success Training Seminars held throughout the world. Twice a year, in each major territory or region, there is a 3-day World Team School typically attended by 2,000 to 5,000 distributors. In addition, once a year in each region, we host an Extravaganza to which our distributors from around the world can come to learn about new products, expand their skills and celebrate their success. So far this year, through September of 2004, Extravaganzas in Nashville, Barcelona and Bangkok have been attended by 45,000 of our distributors and in November we plan to host the year's final Extravaganzas in Mexico City and Sao Paulo.

In addition to these training sessions, we have our own "Herbalife Broadcast Network" that we use to provide distributors continual training and the most current product and marketing information. The Herbalife Broadcast Network can be seen on the internet.

Distributor reward and recognition is a significant factor in motivating our distributors. Each year, we invest approximately $40 million in regional and worldwide promotions to motivate our distributors to achieve and exceed both sales and recruiting goals. Typical of our worldwide promotions are our 25th Anniversary Cruise, which distributors can qualify to attend by achieving 100,000 Volume Points over a 10-month period, and our Atlanta Challenge, under which distributors can earn rewards for exceeding their prior year base-line performance.

Geographic Presence

We conduct business in 59 countries located in The Americas, Europe, Asia/Pacific Rim (excluding Japan) and Japan. The following chart sets forth the countries we have opened in each of these markets as of September 30, 2004 and the year in which we commenced operations in those countries:

Country	Year Entered	Country	Year Entered	Country	Year Entered
Europe		**The Americas**		**Asia/Pacific Rim and Japan**	
United Kingdom	1983	USA	1980	Australia	1982
Spain	1989	Canada	1982	New Zealand	1988
France	1990	Mexico	1989	Hong Kong	1992
Israel	1991	Venezuela	1994	Japan	1993
Germany	1991	Dominican Republic	1994	Philippines	1994
Portugal	1992	Argentina	1994	Taiwan	1995
Czech Republic	1992	Brazil	1995	Korea	1996
Italy	1992	Chile	1997	Thailand	1997
Netherlands	1993	Jamaica	1999	Indonesia	1998
Russia	1994	Panama	2000	India	1999
Belgium	1994	Colombia	2001	China	2001
Poland	1994	Bolivia	2004	Singapore	2003
Denmark	1994			Macau	2002
Sweden	1994				
Austria	1995				
Switzerland	1995				
South Africa	1995				
Norway	1995				
Finland	1995				
Greece	1996				
Turkey	1998				
Botswana	1998				
Lesotho	1998				
Namibia	1998				
Swaziland	1998				
Iceland	1999				
Slovak Republic	1999				
Cyprus	2000				
Ireland	2000				
Morocco	2001				
Croatia	2001				
Latvia	2002				
Ukraine	2002				
Estonia	2003				

The following chart sets forth the number of countries we have opened in each of The Americas, Europe, Asia/Pacific Rim (excluding Japan) and Japan as of September 30, 2004 and net sales information by region during the past three fiscal years.

Geographic region	Year ended December 31, 2001	2002	2003	Percent of total net sales 2003	Number of countries open as of September 30, 2004
	(in millions)				
The Americas	$ 386.9	$ 424.3	$ 424.4	36.6%	12
Europe	283.2	342.7	448.2	38.7	34
Asia/Pacific Rim (excluding Japan)	172.0	185.5	167.5	14.4	12
Japan	178.0	141.2	119.3	10.3	1
Total	$ 1,020.1	$ 1,093.7	$ 1,159.4	100.0%	59

The fiscal year ended December 31, 2003 marks the first year in which we separately recognize revenues from sales to distributors in Japan and the net sales information reported in the table above for prior periods reflects the net sales attributable to that market during those periods. For more information about our results of operation in these four geographic regions, see Note 11 in the Notes to Consolidated Financial Statements included elsewhere herein.

Historically a significant portion of our sales have been from a few countries. In 2003, our top six countries accounted for approximately 56.4% of total net sales. Over the most recent five years, the top six countries of each year have gone from representing approximately 72.5% of net sales in 1999 to 56.4% of net sales in 2003.

After entering a new country, we in many instances experience an initial period of rapid growth in sales as new distributors are recruited, followed by a decline in sales. We believe that a significant factor affecting these markets is the opening of other new markets within the same geographic region or with the same or similar language or cultural bases. Some distributors then tend to focus their attention on the business opportunities provided by these newer markets instead of developing their established sales organizations in existing markets. Additionally, in some instances, we have become aware that certain sales in certain existing markets were attributable to purchasers who distributed our products in countries that had not yet been opened. When these countries were opened, the sales in existing markets shifted to the newly opened markets, resulting in a decline in sales in the existing markets. To the extent we decide to open new markets in the future, we will continue to seek to minimize the impact on distributor focus in existing markets and to ensure that adequate distributor support services and other Herbalife systems are in place to support growth.

Manufacturing and Distribution

All of our weight management, nutritional and personal care products are manufactured for us by third party manufacturing companies, with the exception of products distributed in and sourced from China where we have our own manufacturing facility. We source our products from multiple manufacturers, with our top three suppliers—Nature's Bounty, Fine Foods and Pharmachem—accounting for approximately 44% of our sales for the fiscal year ended December 31, 2003. In addition, each of our products is available from a secondary vendor if necessary. While our manufacturers meet our quality and production standards, we also have our own state-of-the-art quality control lab in which we routinely test products received from vendors. We have established excellent relationships with our manufacturers and have obtained improvements in supply services, product quality and product delivery. Historically, we have not been subject to material price increases by our suppliers, and we believe that in the event of price increases, we have the ability to respond to a portion of the price increases by raising the prices of our products. We own the proprietary formulations for substantially all of our weight management products and dietary and nutritional supplements.

In order to coordinate and manage the manufacturing of our products, we utilize a significant demand planning and forecasting process that is directly tied to our production planning and purchasing systems. Using this sophisticated planning software and process allows us to balance our inventory levels to provide exceptional service to distributors while minimizing working capital and inventory obsolescence. We maintain a monthly forecast accuracy of better than 80%, which facilitates the above planning process.

Our global distribution system features centralized distribution and telephone ordering systems coupled with storefront distributor service centers. Distribution and service centers are conveniently located and attractively designed in order to encourage local distributors to meet and network with each other and learn more about our products, marketing system and upcoming events. In addition, they can showcase the business while improving their selling productivity. Our major distribution warehouses have been automated with "pick-to-light" picking systems which consistently deliver over 99.5% order accuracy and handling systems that provide for inspection of every shipment before it is sent to delivery. Shipping and processing standards for orders placed are either the same day or the following business day. We have central sales ordering facilities for answering and processing telephone orders. Operators at such centers are capable of conversing in multiple languages.

Our products are distributed to foreign markets either from the facilities of our manufacturers or from our Los Angeles and Venray, Netherlands distribution centers. Products are distributed in the United States market from our Los Angeles distribution center or from our Memphis distribution center. Nutrition products manufactured in countries globally are generally transported by truck, cargo ship or plane to our international markets and are warehoused in either one of our foreign distribution centers or a contracted third party warehouse and distribution center. After arrival of the products in a foreign market, distributors purchase the products from the local distribution center or the associated sales center. Our Outer Nutrition® products are predominantly manufactured in Europe and the United States. The products manufactured in Europe are shipped to a centralized warehouse facility, from which delivery by truck, ship or plane to other international markets occurs.

Product Return and Buy-Back Policies

In most markets, our products include a customer satisfaction guarantee. Under this guarantee, within 30 days of purchase, any customer who is not satisfied with an Herbalife product for any reason may return it or any unused portion of it to the distributor from whom it was purchased for a full refund from the distributor or credit toward the purchase of another Herbalife product. If they return the products to us on a timely basis, distributors may obtain replacements from us for such returned products. In addition, in most jurisdictions, we maintain a buy-back program, pursuant to which we will repurchase products sold to a distributor provided that the distributor resigns as an Herbalife distributor, returns the product in marketable condition generally within twelve months of original purchase and meets certain documentation and other requirements. We believe this buy-back policy addresses a number of the regulatory compliance issues pertaining to network marketing, in that it offers monetary protection to distributors who want to exit the business.

Historically, product returns and buy-backs have not been significant. Product returns, refunds and buy-back expenses approximated 1.9%, 2.4% and 2.5% of retail sales in 2003, 2002 and 2001, respectively.

Management Information, Internet and Telecommunication Systems

In order to facilitate our continued growth and support distributor activities, we continually upgrade our management information, internet and telecommunication systems. These systems include: (1) a centralized host computer located in Southern California, which is linked to our international markets through a dedicated wide area network that provides on-line, real-time computer connectivity and access; (2) local area networks of personal computers within our markets, serving our regional administrative staffs; (3) an international e-mail system through which our employees communicate; (4) a standardized Northern Telecom Meridian telecommunication system in most of our markets; (5) a fully integrated

Oracle supply chain management system that has been installed in our distribution centers; and (6) internet websites to provide a variety of online services for distributors (status of qualifications, meeting announcements, product information, application forms, educational materials and, in the United States, sales ordering capabilities). These systems are designed to provide financial and operating data for management, timely and accurate product ordering, royalty override payment processing, inventory management and detailed distributor records. We intend to continue to invest in our systems in order to strengthen our operating platform.

Our Corporate Restructuring. Unrelated to this offering, we are in the process of restructuring our corporate organization to be more closely aligned with the international nature of our business activities. The restructuring is taking place over a period of several months and is targeted for completion by December 31, 2004, although certain steps may not be fully completed until the first quarter of 2005. The restructuring is expected to accomplish several objectives including: the realignment of our operating assets according to the geographic location of our business activities, and a lowering of the overall blended effective tax rate that arises from our countries of operation while minimizing incidences of double taxation. Our management believes the restructuring should achieve the intended objectives, however, no assurances can be given that these objectives will be achieved.

Regulation

General. In both our United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions, including regulations pertaining to: (1) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products; (2) product claims and advertising, including direct claims and advertising by us, as well as claims and advertising by distributors, for which we may be held responsible; (3) our network marketing program; (4) transfer pricing and similar regulations that affect the level of U.S. and foreign taxable income and customs duties; and (5) taxation of distributors (which in some instances may impose an obligation on us to collect the taxes and maintain appropriate records).

Products. In the United States, the formulation, manufacturing, packaging, storing, labeling, promotion, advertising, distribution and sale of our products are subject to regulation by various governmental agencies, including (1) the FDA, (2) the Federal Trade Commission ("FTC"), (3) the Consumer Product Safety Commission ("CPSC"), (4) United States Department of Agriculture ("USDA"), (5) the Environmental Protection Agency ("EPA"), (6) the United States Postal Service, (7) United States Customs and Border Protection, and (8) the Drug Enforcement Administration. Our activities also are regulated by various agencies of the states, localities and foreign countries in which our products are manufactured, distributed and sold. The FDA, in particular, regulates the formulation, manufacture and labeling of conventional foods, dietary supplements, cosmetics and over-the-counter ("OTC") drugs, such as those distributed by us. FDA regulations require us and our suppliers to meet relevant current good manufacturing practice ("cGMP") regulations for the preparation, packing and storage of foods and OTC drugs. On March 7, 2003, the FDA released for comment its proposed cGMP's for dietary supplements. If FDA issues the final cGMPs for dietary supplements late 2004, as FDA's Acting Commissioner now expects, we will have up to a year to ensure compliance. We expect to see an increase in certain manufacturing costs as a result of the necessary increase in testing of raw ingredients and finished products and compliance with higher quality standards.

Most OTC drugs are subject to FDA Monographs that establish labeling and composition for these products. Our products must comply with these Monographs, and our manufacturers must list all products with the FDA and follow cGMP. Our cosmetic products are regulated for safety by the FDA, which requires that ingredients meet industry standards for non-allergenicity and non-toxicity. Performance claims for cosmetics may not be "therapeutic."

The U.S. 1994 Dietary Supplement Health and Education Act ("DSHEA") revised the provisions of the Federal Food, Drug and Cosmetic Act ("FFDCA") concerning the composition and labeling of dietary supplements and, we believe, is generally favorable to the dietary supplement industry. The legislation created a new statutory class of dietary supplements. This new class includes vitamins, minerals, herbs, amino acids and other dietary substances for human use to supplement the diet, and the legislation grandfathers, with some limitations, dietary ingredients that were on the market before October 15, 1994. A dietary supplement that contains a dietary ingredient that was not on the market before October 15, 1994 will require evidence of a history of use or other evidence of safety establishing that it is reasonably expected to be safe. Manufacturers or marketers of dietary supplements in the United States and certain other jurisdictions that make product performance claims, including structure or function claims, must have substantiation in their possession that the statements are truthful and not misleading. The majority of the products marketed by us in the United States are classified as conventional foods or dietary supplements under the FFDCA. Internationally, the majority of products marketed by us are classified as foods or food supplements.

In January 2000, the FDA a issued a regulation that defines the types of statements that can be made concerning the effect of a dietary supplement on the structure or function of the body pursuant to DSHEA. Under DSHEA, dietary supplement labeling may bear structure or function claims, which are claims that the products affect the structure or function of the body, without prior FDA approval, but with notification to the FDA. They may not bear a claim that they can prevent, treat, cure, mitigate or diagnose disease (a disease claim). The regulation describes how the FDA distinguishes disease claims from structure or function claims. The FDA later issued a Structure/Function Claims Small Entity Compliance Guide.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers, we are subject to the risk that one or more of the ingredients in our products may become the subject of regulatory action. A number of states restricted the sale of dietary supplements containing botanical sources of ephedrine alkaloids. As a result of these state regulations, we stopped sales of its dietary supplements containing botanical sources of ephedrine alkaloids due to a shift in consumer preference for "ephedra free products" and a significant increase in products liability insurance premiums for products containing botanical sources of ephedrine group alkaloids. On December 31, 2002, we ceased sales of *Thermojetics*® original green herbal tablets containing ephedrine alkaloids derived from Chinese Ma huang, as well as *Thermojetics*® green herbal tablets and *Thermojetics*® gold herbal tablets (the latter two containing the herb Sida cordifolia which is another botanical source of ephedrine alkaloids). On February 6, 2004, the FDA published a rule finding that dietary supplements containing ephedrine alkaloids present an unreasonable risk of illness or injury under conditions of use recommended or suggested in the labeling of the product, or, if no conditions of use are suggested in the labeling, under ordinary conditions of use, and are therefore adulterated.

The FDA has on record a small number of reports of adverse reactions allegedly resulting from the ingestion of our *Thermojetics*® original green tablet. These reports are among thousands of reports of adverse reactions to these products sold by other companies.

As a further outgrowth of the FDA ephedra safety review, the FDA, in January 2004, announced that it would undertake a review of the safety of the herb *Citrus aurantium*. We use *Citrus aurantium* in *ShapeWorks*™ total control and *Thermojetics*® green ephedra free dietary supplements sold in the United States and in a number of international markets. Unconfirmed reports of "serious" adverse events, reportedly associated with *Citrus aurantium,* were disclosed by the FDA to the New York Times during April 2004. Under the Freedom of Information Act, we obtained a copy of those anecdotal serious adverse event reports. No Herbalife dietary supplement containing *Citrus aurantium* was cited by the FDA. Indeed, many cited products from other companies did not even contain *Citrus aurantium.* Nonetheless, we decided to reformulate our products and will no longer market dietary supplements in the United States containing

Citrus aurantium. Internationally, due to longer licensing lead times, we will reformulate our foreign products containing *Citrus aurantium* by 2006.

The FDA's decision to ban ephedra triggered a significant reaction by the national media, some of whom are calling for the repeal or amendment of DSHEA. These media view supposed "weaknesses" within DSHEA as the underlying reason why ephedra was allowed to remain on the market. We have been advised that DSHEA opponents in Congress may use this anti-DSHEA momentum to advance existing or new legislation to amend or repeal DSHEA. We currently expect to see the following: (1) calls for mandatory reporting of serious adverse event reports for supplements; (2) premarket approval for safety and effectiveness of dietary ingredients; (3) specific premarket review of dietary ingredient stimulants that are and will be used to replace ephedra; (4) reversal of the burden of proof standard which now rests on the FDA; and (5) a redefining of "dietary ingredient" to remove either botanicals or selected classes of ingredients now treated as dietary ingredients.

On September 16, 2002 the FDA changed its policies for notifying companies of anecdotal adverse event reports for dietary supplements. Since then, to date we have received six anecdotal special nutritional adverse events reports from the FDA. We are in the process of refining our processes for gathering and reporting "serious" dietary supplement adverse event reports in those markets where such reporting is required. Currently, this process is managed by our Medical Affairs department in collaboration with Distributor Relations Call Centers.

On March 7, 2003, the FDA proposed a new regulation to require current good manufacturing practices affecting the manufacture, packing, and holding of dietary supplements. The proposed regulation would establish standards to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the products. It also includes proposed requirements for designing and constructing physical plants, establishing quality control procedures, and testing manufactured dietary ingredients and dietary supplements, as well as proposed requirements for maintaining records and for handling consumer complaints related to cGMPs. We are evaluating this proposal with respect to its potential impact upon the various contract manufacturers that we use to manufacturer our products some of whom might not meet the new standards. It is important to note that the' proposed regulation, in an effort to limit disruption, includes a three-year phase-in for small businesses of any final regulation that is issued. This will mean that some of our contract manufacturers will not be fully impacted by the proposed regulation until at least 2007. However, the proposed regulation can be expected to result in additional costs and possibly the need to seek alternate suppliers.

In December 1999, we introduced a new line of weight management products that are suitable for diets that are high in protein and low in carbohydrates. The line, which consists of eight nutritionally balanced high-protein products that are also low in carbohydrates, is called the HPLC Program. To date the FDA has not authorized the use of a low carbohydrate claim on the label of individual food products, and therefore, we have not made such a claim on the label of any of the eight products that together comprise our HPLC Program. We believe, however, that it is permissible to accurately describe the entire program as one that is suitable for a diet that is high in protein and low in carbohydrates, and we have elected to do so by virtue of the name that we have selected for this weight management program.

Some of the products marketed by us are considered conventional foods and are currently labeled as such. Within the United States, this category of products is subject to the Nutrition, Labeling and Education Act ("NLEA"), and regulations promulgated under the NLEA. The NLEA regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in the product. The ingredients added to conventional foods must either be generally recognized as safe by experts ("GRAS") or be approved as food additives under FDA regulations.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license or certification from the relevant country's ministry of health or comparable agency. Where a formal approval, license or certification is not required, we nonetheless seek a favorable opinion of counsel regarding our compliance with applicable laws. Prior to entering a new market in which a formal approval, license or certificate is required, we work extensively with local authorities in order to obtain the requisite approvals. The approval process generally requires us to present each product and product ingredient to appropriate regulators and, in some instances, arrange for testing of products by local technicians for ingredient analysis. The approvals may be conditioned on reformulation of our products, or may be unavailable with respect to some products or some ingredients. Product reformulation or the inability to introduce some products or ingredients into a particular market may have an adverse effect on sales. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently. The United Kingdom's Medicines and Healthcare Products Regulatory Agency is expected to soon issue a list of botanical ingredients it considers as medicinal by claim or function that could adversely impact some of our present UK formulations, depending on the permitted claims.

The FTC, which exercises jurisdiction over the advertising of all of our products, has in the past several years instituted enforcement actions against several dietary supplement companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. These enforcement actions have often resulted in consent decrees and monetary payments by the companies involved. In addition, the FTC has increased its scrutiny of the use of testimonials, which we also utilize. Although we have not been the target of FTC enforcement action for the advertising of our products, we cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future. It is unclear whether the FTC will subject our advertisements to increased surveillance to ensure compliance with the principles set forth in the guide.

In Europe, a pending EU Health Claim regulation, now being discussed within the European Parliament, could, if enacted, have an adverse effect on existing product "wellness," "well-being" and "good for you" claims presently made on existing product labeling, literature and advertising. We and our industry allies are vigorously working to address this pending debate in ongoing discussion with Parliamentarians and the European Commission.

In some countries, regulations applicable to the activities of our distributors also may affect our business because in some countries we are, or regulators may assert that we are, responsible for our distributors' conduct. In these countries, regulators may request or require that we take steps to ensure that our distributors comply with local regulations. The types of regulated conduct include: (1) representations concerning our products; (2) income representations made by use and/or distributors; (3) public media advertisements, which in foreign markets may require prior approval by regulators; and (4) sales of products in markets in which the products have not been approved, licensed or certified for sale.

In some markets, it is possible that improper product claims by distributors could result in our products being reviewed by regulatory authorities and, as a result, being classified or placed into another category as to which stricter regulations are applicable. In addition, we might be required to make labeling changes.

We are unable to predict the nature of any future laws, regulations, interpretations or applications, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require: (1) the reformulation of some products not capable of being reformulated; (2) imposition of additional record keeping requirements; (3) expanded documentation of the properties of some products; (4) expanded or different labeling; (5) additional scientific substantiation regarding product ingredients, safety or usefulness; and/or (6) additional distributor compliance surveillance and enforcement action by us.

Any or all of these requirements could have a material adverse effect on our results of operations and financial condition. All of our officers and directors are subject to a permanent injunction issued in October 1986 pursuant to the settlement of an action instituted by the California Attorney General, the State Health Director and the Santa Cruz County District Attorney. We consented to the entry of this injunction without in any way admitting the allegations of the complaint. The injunction prevents us and our officers and directors from making specified claims in future advertising of our products and required us to implement some documentation systems with respect to payments to our distributors. At the same time, the injunction does not prevent us from continuing to make specified claims concerning our products that have been made and are being made, provided that we have a reasonable basis for making the claims.

We are aware that, in some of our international markets, there has been recent adverse publicity concerning products that contain ingredients that have been genetically modified ("GM"). In some markets, the possibility of health risks or perceived consumer preference thought to be associated with GM ingredients has prompted proposed or actual governmental regulation. For example, the European Union has adopted a EC Regulation 1829/2003 affecting the labeling of products containing ingredients that have been genetically modified, and the documents manufacturers and marketers will need to possess to ensure 'traceability' at all steps in the chain of production and distribution. This new regulation, which took effect in 2004, is being implemented by us and our contract manufacturers, resulting in modifications to our labeling, and in some instances, to some of our foods and food supplements sold in Europe. Differing GM regulations affecting us also have been adopted in Brazil, Japan, Korea, Taiwan and Thailand. We cannot anticipate the extent to which future regulations in our markets will restrict the use of GM ingredients in our products or the impact of any regulations on our business in those markets. In response to any applicable regulations, we would, where practicable, attempt to reformulate our products to satisfy the regulations. We believe, based upon currently available information, that compliance with regulatory requirements in this area should not have a material adverse effect on us or our business. However, because publicity and governmental scrutiny of GM ingredients is a relatively new and evolving area, there can be no assurance in this regard. If a significant number of our products were found to be genetically modified and regulations in our markets significantly restricted the use of GM ingredients in our products, our business could be materially adversely affected.

In addition, in certain of our markets, there has been recent adverse regulatory and press attention to ingredients that may cause what is commonly referred to as mad cow disease. Certain of our products contain ingredients derived from bovine sources. We are not aware of any infection or contamination of any of our products by BSE. Should any such infection or contamination be detected, it could have a material adverse effect on our business. Additionally, if governments preclude importation of products from the U.S. containing bovine-derived ingredients, it could adversely impact product availability and/or future price. Further, even if no such infection or contamination is detected, adverse publicity concerning the BSE risk, or governmental or regulatory developments aimed at combating the risk of BSE contamination by regulating bovine products and/or by-products, could have a material adverse effect on our business. We anticipate some impact associated with the discovery of BSE in the United States, such as in Mexico, which recently restricted the importation of certain of our products containing bovine-derived ingredients produced in part from U.S. cattle. Affected products being held at the border currently include Cell Activator, Floral Fiber, HPLC Drinks plus Fiber and Herb Tablets. Our manufacturing department is working to replace the U.S. sourced ingredients with comparable materials from other countries of origin not similarly precluded.

We are also in the process of complying with recent regulations within the European Union, Australia, Brazil, Canada, China, Hong Kong, Japan, Taiwan and Thailand affecting the use and/or labeling of irradiated raw ingredients. To date, we have dealt with irradiation compliance questions involving three products sold in the Netherlands and one product sold in Switzerland.

Compliance with GMO, BSE and irradiation regulations can be expected to increase the cost of manufacturing certain of our products.

Network marketing program. Our network marketing program is subject to a number of federal and state regulations administered by the FTC and various state agencies as well as regulations in foreign markets administered by foreign agencies. Regulations applicable to network marketing organizations generally are directed at ensuring that product sales ultimately are made to consumers and that advancement within our organization is based on sales of the organization's products rather than investments in the organization's or other non-retail sales related criteria. For instance, in some markets, there are limits on the extent to which distributors may earn royalty overrides on sales generated by distributors that were not directly sponsored by the distributor. When required by law, we obtain regulatory approval of our network marketing program or, when this approval is not required, the favorable opinion of local counsel as to regulatory compliance. Nevertheless, we remain subject to the risk that, in one or more markets, our marketing system could be found not to be in compliance with applicable regulations. Failure by us to comply with these regulations could have a material adverse effect on our business in a particular market or in general.

We also are subject to the risk of private party challenges to the legality of our network marketing program. For example, in *Webster v. Omnitrition International, Inc.*, 79 F.3d 776 (9th Cir. 1996), the multi-level marketing program of Omnitrition International, Inc. ("Omnitrition") was successfully challenged in a class action by Omnitrition distributors who alleged that Omnitrition was operating an illegal "pyramid scheme" in violation of federal and state laws. We believe that our network marketing program satisfies the standards set forth in the Omnitrition case and other applicable statutes and case law defining a legal marketing system, in part based upon significant differences between our marketing system and that described in the Omnitrition case.

Herbalife International was a defendant in a purported class action lawsuit in the U.S. District Court of California (*Jacobs v. Herbalife International, Inc., et al*) originally filed on February 19, 2002 challenging marketing practices of several distributors and Herbalife International under various state and federal laws. Without in any way admitting liability or wrongdoing, we have reached a binding settlement with the plaintiffs. Under the terms of the settlement, we (i) paid $3 million into a fund to be distributed to former Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter, (ii) will pay up to a maximum aggregate amount of $1 million, refund to former Supervisor-level distributors the amounts they had paid to purchase such Newest Way to Wealth materials from the other defendants in this matter, and (iii) will offer rebates up to a maximum aggregate amount of $2 million on certain new purchases of Herbalife products to those current Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter.

Herbalife International and certain of its distributors have been named as defendants in a purported class action lawsuit filed July 16, 2003 in the Circuit Court of Ohio County in the State of West Virginia (*Mey v. Herbalife International, Inc., et al*). Herbalife International had removed the lawsuit to federal court and the court has recently remanded the lawsuit to state court. The complaint alleges that certain telemarketing practices of certain Herbalife International distributors violate the Telephone Consumer Protection Act and seeks to hold Herbalife International liable for the practices of its distributors. More specifically, the plaintiffs' complaint alleges that several of Herbalife's distributors used pre-recorded telephone messages and autodialers to contact prospective customers in violation of the TCPA's prohibition of such practices. Herbalife's distributors are independent contractors and, if any such distributors in fact violated the TCPA, they also violated Herbalife's policies, which require its distributors to comply with all applicable federal, state and local laws. We believe that we have meritorious defenses to the suit.

It is an ongoing part of our business to monitor and respond to regulatory and legal developments, including those that may affect our network marketing program. However, the regulatory requirements concerning network marketing programs do not include bright line rules and are inherently fact-based. An adverse judicial determination with respect to our network marketing program could have a material adverse effect on our business. An adverse determination could: (1) require us to make modifications to our network marketing program, (2) result in negative publicity or (3) have a negative impact on distributor morale. In addition, adverse rulings by courts in any proceedings challenging the legality of multi-level marketing systems, even in those not involving us directly, could have a material adverse effect on our operations.

Transfer pricing and similar regulations. In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our U.S. or local entities and are taxed accordingly. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products.

Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed. For example, we are currently subject to pending or proposed audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving transfer pricing issues, income taxes, duties, value added taxes, withholding taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties have been assessed, and we will be required to litigate to reverse the assessments. We and our tax advisors believe that there are substantial defenses to the allegations that additional taxes are owing, and we are vigorously against the imposition of additional proposed taxes. The ultimate resolution of these matters may take several years, and the outcome is uncertain.

In the event that the audits or assessments are concluded adversely to us, we may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Currently, we anticipate utilizing the majority of our foreign tax credits in the year in which they arise with the unused amount carried forward. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of any foreign tax credits in the future. As a result, adverse outcomes in these matters could have a material impact on our financial condition and operating results.

Other regulations. We also are subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets, we are substantially restricted in the amount and types of rules and termination criteria that we can impose on distributors without having to pay social security assessments on behalf of the distributors and without incurring severance obligations to terminated distributors. In some countries, we may be subject to these obligations in any event.

Our failure to comply with these regulations could have a material adverse effect on our business in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

Compliance procedures. As indicated above, Herbalife, our products and our network marketing program are subject, both directly and indirectly through distributors' conduct, to numerous federal, state and local regulations, both in the United States and foreign markets. Beginning in 1985, we began to institute formal regulatory compliance measures by developing a system to identify specific complaints against distributors and to remedy any violations by distributors through appropriate sanctions, including warnings, suspensions and, when necessary, terminations. In our manuals, seminars and other training programs and materials, we emphasize that distributors are prohibited from making therapeutic claims for our products.

Our general policy regarding acceptance of distributor applications from individuals who do not reside in one of our markets is to refuse to accept the individual's distributor application. From time to time, exceptions to the policy are made on a country-by-country basis.

In order to comply with regulations that apply to both us and our distributors, we conduct considerable research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses and approvals and applicable limitations on our operations in that market. Typically, we conduct this research with the assistance of local legal counsel and other representatives. We devote substantial resources to obtaining the necessary licenses and approvals and bringing our operations into compliance with the applicable limitations. We also research laws applicable to distributor operations and revise or alter our distributor manuals and other training materials and programs to provide distributors with guidelines for operating a business, marketing and distributing our products and similar matters, as required by applicable regulations in each market. We, however, are unable to monitor our supervisors and distributors effectively to ensure that they refrain from distributing our products in countries where we have not commenced operations, and we do not devote significant resources to this type of monitoring.

In addition, regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. Moreover, even when we believe that we and our distributors are initially in compliance with all applicable regulations, new regulations regularly are being added and the interpretation of existing regulations is subject to change. Further, the content and impact of regulations to which we are subject may be influenced by public attention directed at us, our products or our network marketing program, so that extensive adverse publicity about us, our products or our network marketing program may result in increased regulatory scrutiny.

It is an ongoing part of our business to anticipate and respond to new and changing regulations and to make corresponding changes in our operations to the extent practicable. Although we devote considerable resources to maintaining our compliance with regulatory constraints in each of our markets, we cannot be sure that (1) we would be found to be in full compliance with applicable regulations in all of our markets at any given time or (2) the regulatory authorities in one or more markets will not assert, either retroactively or prospectively or both, that our operations are not in full compliance. These assertions or the effect of adverse regulations in one market could negatively affect us in other markets as well by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets. These assertions could have a material adverse effect on us in a particular market or in general. Furthermore, depending upon the severity of regulatory changes in a particular market and the changes in our operations that would be necessitated to maintain compliance, these changes could result in our experiencing a material reduction in sales in the market or determining to exit the market altogether. In this event, we would attempt to devote the resources previously devoted to the market to a new market or markets or other existing markets. However, we cannot be sure that this transition would not have an adverse effect on our business and results of operations either in the short or long-term.

Trademarks and Proprietary Formulas

We use the umbrella trademarks Herbalife, Thermojetics, Dermajetics, and have several other trademarks and trade names registered in connection with our products and operations. Our trademark registrations are issued through the United States Patent and Trademark Office and in comparable agencies in the foreign countries. We consider our trademarks and trade names to be an important factor in our business. We also take care in protecting the intellectual property rights of our proprietary formulas by restricting access to our formulas within our company to those persons or departments that require access to them to perform their functions, and by requiring our finished goods-suppliers and consultants to execute supply and non-disclosure agreements that seek to contractually protect our intellectual property rights in our proprietary products. For example, we are currently developing a new product in the energy supplement category for which we may seek (through our employees who invented this product) one or more patents for technological innovations inherent in the product, including the formulation as a whole. At the moment, this project and its elements remain the confidential trade secrets of us and our inventor-employees. However, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our proprietary rights.

Competition

The business of marketing weight management and nutrition products is highly competitive. This market segment includes numerous manufacturers, distributors, marketers, retailers and physicians that actively compete for the business of consumers both in the United States and abroad. The market is highly sensitive to the introduction of new products or weight management plans, including various prescription drugs that may rapidly capture a significant share of the market. As a result, our ability to remain competitive depends in part upon the successful introduction of new products. In addition, we anticipate that we will be subject to increasing competition in the future from sellers that utilize electronic commerce. We cannot be sure of the impact of electronic commerce or that it will not adversely affect our business.

We are subject to significant competition for the recruitment of distributors from other network marketing organizations, including those that market weight management products, nutritional supplements, and personal care products, as well as other types of products. Some of our competitors are substantially larger than we are, and have available considerably greater financial resources than we have. Our ability to remain competitive depends, in significant part, on our success in recruiting and retaining distributors through an attractive compensation plan and other incentives. We believe that our production bonus program, international sponsorship program and other compensation and incentive programs provide our distributors with significant earning potential. However, we cannot be sure that our programs for recruitment and retention of distributors will be successful.

Employees

As of September 30, 2004, we had 2,280 full-time employees. These numbers do not include our distributors, who are independent contractors rather than our employees. Except for some employees in Mexico and in some European countries, none of our employees are members of any labor union, and we have never experienced any business interruption as a result of any labor disputes.

Properties

We lease all of our physical properties located in the United States. Our executive offices, located in Century City, California, include approximately 115,000 square feet of general office space under lease arrangements expiring in February 2006. We lease an aggregate of approximately 144,000 square feet of office space, computer facilities and conference rooms at the Operations Center in Inglewood, California, under a lease that expires in October 2006, and approximately 150,000 square feet of warehouse space in two separate facilities located in Los Angeles and Memphis. The Los Angeles and Memphis lease agreements have terms through June 2006 and August 2006, respectively. In Venray, Netherlands, we lease our European centralized warehouse of approximately 175,000 square feet. The lease expires in June 2007. We also lease warehouse, manufacturing plant and office space in a majority of our other geographic areas of operation. We believe that our existing facilities are adequate to meet our current requirements and that comparable space is readily available at each of these locations.

Legal Proceedings

We are from time to time engaged in routine litigation. We regularly review all pending litigation matters in which we are involved and establish reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International was a defendant in a purported class action lawsuit in the U.S. District Court of California (*Jacobs v. Herbalife International, Inc., et al*) originally filed on February 19, 2002 challenging marketing practices of several distributors and Herbalife International under various state and federal laws. Without in any way admitting liability or wrongdoing, the Company has reached a binding settlement with the plaintiffs. Under the terms of the settlement, the Company (i) paid $3 million into a fund to be distributed to former Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter, (ii) will pay up to a maximum aggregate amount of $1 million, refund to former Supervisor-level distributors the amounts they had paid to purchase such Newest Way to Wealth materials from the other defendants in this matter, and (iii) offer rebates up to a maximum aggregate amount of $2 million, on certain new purchases of Herbalife products to those current Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter.

Herbalife International and certain of its distributors have been named as defendants in a purported class action lawsuit filed July 16, 2003 in the Circuit Court of Ohio County in the State of West Virginia (*Mey v. Herbalife International, Inc., et al*). The complaint alleges that certain telemarketing practices of certain Herbalife International distributors violate the Telephone Consumer Protection Act, or TCPA, and seeks to hold Herbalife International liable for the practices of its distributors. More specifically, the plaintiffs' complaint alleges that several of Herbalife International's distributors used pre-recorded telephone messages and autodialers to contact prospective customers in violation of the TCPA's prohibition of such practices. Herbalife International's distributors are independent contractors and, if any such distributors in fact violated the TCPA, they also violated Herbalife's policies, which require its distributors to comply with all applicable federal, state and local laws. We believe that we have meritorious defenses to the suit.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, we have been and are currently subjected to various product liability claims. The effects of these claims to date have not been material to us, and the reasonably possible range of exposure on currently existing claims is not material to us. We believe that we have meritorious defenses to the allegations contained in the lawsuits. We currently maintain product liability insurance with an annual deductible of $10 million.

Certain of our subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The aggregate amount of assessed taxes, penalties and interest to date is approximately $34.0 million. We and our tax advisors believe that there are substantial defenses to their allegations that additional taxes are owing, and we are vigorously contesting the additional proposed taxes and related charges.

These matters may take several years to resolve, and we cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material effect on our financial condition and operating results. This opinion is based on our belief that any losses we suffer would not be material and that we have meritorious defenses. Although we have reserved an amount that we believe represents the likely outcome of the resolution of these disputes, if we are incorrect in our assessment we may have to pay the full amount assessed.

MANAGEMENT

Biographical information follows for each person who serves as a director and/or an executive officer of Herbalife and Herbalife International. The table sets forth certain information regarding these individuals (ages are as of September 30, 2004).

Name*	Age	Position with Herbalife	Director/Officer Since*
Peter M. Castleman(4)(5)	48	Chairman of the Board	2002
Michael O. Johnson(3)(6)	50	Chief Executive Officer, Director	2003
Gregory Probert(6)	48	Chief Operating Officer	2003
Henry Burdick(4)(6)	62	Vice Chairman, Director	2002
Richard Goudis(6)	43	Chief Financial Officer	2004
Brett R. Chapman(6)	49	General Counsel	2003
Kenneth J. Diekroeger(1)(2)	42	Director	2002
James H. Fordyce(1)(2)(5)	45	Director	2002
Markus Lehmann	43	Director	2003
Charles L. Orr(2)	61	Director	2002
Jesse T. Rogers(1)(5)	47	Director	2002
Leslie Stanford(4)	47	Director	2002

(1) Member of the compensation committee of Herbalife and Herbalife International.

(2) Member of the audit committee of Herbalife and Herbalife International.

(3) Non-voting member of the executive committee of Herbalife and Herbalife International.

(4) Member of the product committee of Herbalife and Herbalife International.

(5) Member of the executive committee of Herbalife and Herbalife International.

(6) Officer of Herbalife.

* Directors are currently elected each year to terms of one year, until the following year's meeting of shareholders. Prior to the listing of our common shares on the New York Stock Exchange, we intend to divide our board into three classes of the same or nearly the same number of directors, each serving staggered three-year terms. See "Description of Share Capital." In addition, we expect that shortly prior to the listing of our common shares on the New York Stock Exchange the board will elect three new directors, (a) each of whom will be "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange, (b) each of whom will be members of our audit committee, and (c) one of whom will be an "audit committee financial expert," as this term has been defined by the SEC in Item 401(h)(2) of Regulation S-K.

Peter M. Castleman is the Chairman of our Board. Mr. Castleman is Managing Partner of Whitney, a position that he has held for more than a decade. Prior to joining Whitney over fifteen years ago, Mr. Castleman was with Morgan Stanley & Co. and prior to that with J.P. Morgan & Co., Inc. Mr. Castleman received his MBA from Harvard Business School and his undergraduate degree from Duke University. Mr. Castleman is currently a director of several private companies. He was previously a director of numerous other companies, including The North Face, Inc., Advance Paradigm, Eon Labs Inc., and Pharmanex, Inc.

Michael O. Johnson is Chief Executive Officer. Mr. Johnson joined Herbalife in April 2003 after 17 years with The Walt Disney Company, where he most recently served as President of Walt Disney International, and also served as President of Asia Pacific for The Walt Disney Company and President of Buena Vista Home Entertainment. Mr. Johnson has also previously served as a publisher of *Audio Times* magazine, and has directed the regional sales efforts of Warner Amex Satellite Entertainment Company for three of its television channels, including MTV, Nickelodeon and The Movie Channel. Mr. Johnson received his Bachelor of Arts in Political Science from Western State University.

Gregory Probert is Chief Operating Officer of Herbalife. Mr. Probert joined Herbalife in August 2003 after serving as President and CEO of DMX MUSIC for over 2 years. Mr. Probert joined DMX MUSIC after serving as Chief Operating Officer of planetLingo from January 2000 to November 2000, where he led the team that designed and built the company's first product, an online conversational system for the $20 billion ESL market in Japan. Immediately prior to planetLingo, Mr. Probert spent 12 years with The Walt Disney Company, where he most recently served as Executive Vice President and Chief Operating Officer for the $3.5 billion Buena Vista Home Entertainment worldwide business. Mr. Probert's positions with The Walt Disney Company also included service as Executive Vice President and Managing Director of the International Home Video Division, Senior Vice President and Managing Director of Buena Vista Home Entertainment, Asia Pacific Region, based in Hong Kong, and Chief Financial Officer of Buena Vista International, Disney's theatrical distribution arm, among others. Mr. Probert received his Bachelor of Science from the University of Southern California and his MBA from California State University, Los Angeles.

Henry Burdick is Vice Chairman and in charge of new product development. Mr. Burdick was the co-founder and at various times served as the Chairman, President and CEO of Pharmavite Corporation, the makers of the Nature Made brand of nutritional supplements. In May 1996, following his retirement from Pharmavite, Mr. Burdick invested in a research and development company called Generation Health. He renamed the operating company Pharmanex, and was Chairman and CEO until it was sold in 1998 to Nu Skin Enterprises, Inc., a NYSE listed company. Since 1998, Mr. Burdick has served as a partner in La Quinta Golf Properties, a golf course development company, and a partner and 50% owner of B&L Properties, a real estate investment firm. In addition, Mr. Burdick served from 1998 to August 2002 as a director of Metagenics, a privately held nutritional product formulator and manufacturer. Mr. Burdick was born in Santiago, Cuba and received a B.A. from California State University, Northridge.

Richard Goudis joined Herbalife in June 2004 as Chief Financial Officer. From 1998 to 2001, Mr. Goudis was the Chief Operating Officer of Rexall Sundown, a Nasdaq 100 company that was sold to Royal Numico in 2000. After the sale to Royal Numico, Mr. Goudis had operations responsibility for all of Royal Numico's U.S. investments, including General Nutrition Centers, or GNC, Unicity International and Rexall Sundown. From 2002 to May 2004, Mr. Goudis was a partner at Flamingo Capital Partners, a firm he founded with several retired executives from Rexall Sundown. Prior to working at Rexall Sundown, Mr. Goudis worked at Sunbeam Corporation and Pratt & Whitney.

Brett R. Chapman joined Herbalife in October 2003 as General Counsel. Prior to joining Herbalife, Mr. Chapman spent thirteen years at The Walt Disney Company, most recently as Senior Vice President and Deputy General Counsel, with responsibility for all legal matters relating to Disney's Media Networks Group, including the ABC Television Network, the company's cable properties including The Disney Channel and ESPN, and Disney's radio and internet businesses. Prior to working at The Walt Disney Company, Mr. Chapman was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Chapman received his Bachelor of Science and Master of Science in Business Administration from California State University, Northridge and his Juris Doctorate from Southwestern University School of Law.

Kenneth J. Diekroeger is a Managing Director of Golden Gate Capital, a position he has held since its inception in 2000. From 1996 to 2000, Mr. Diekroeger was a managing director, and partner with American Industrial Partners. Earlier in his career, Mr. Diekroeger was a consultant at Bain & Company. Mr. Diekroeger received his MBA from Stanford University and his Bachelor of Science in Industrial Engineering from Stanford University. He is currently a director of several private companies.

James H. Fordyce is a partner with certain Whitney-affiliated entities and has been with Whitney since July 1996. Prior to joining Whitney, Mr. Fordyce was with Heller Financial and prior to that with Chemical

Bank. Mr. Fordyce received his MBA from Fordham University and his undergraduate degree from Lake Forest College. Mr. Fordyce currently is a director of several private companies.

Markus Lehmann has been an independent Herbalife distributor for 13 years. A member of the International Chairman's Club, Mr. Lehmann is active with distributors of Herbalife's products throughout the world. Mr. Lehmann has been active in training other Herbalife distributors around the world, and has served on various strategy and planning groups for Herbalife. He is involved in various charities including the Herbalife Family Foundation.

Charles L. Orr is self-employed as an independent director and advisor to companies operating in the e-commerce, financial services and direct selling industries. From 1993 through 2000, Mr. Orr was President and CEO of Shaklee Corporation which included the brand names of Harry and David, Jackson and Perkins and Shaklee. From 2003 to the present, Mr. Orr has served as the Chairman of the Scientific Advisory Board for Swiss Medica, a Toronto-based start-up company that is developing bio-science products. Mr. Orr served as a director of Provident Mutual Life Insurance Company from 1995 through 2002. His prior business affiliations include CIGNA, Continental Insurance, Federated Investors, RCA Computer Systems, Southwestern Life and Xerox. Mr. Orr received his MBA from the University of Connecticut and Bachelor of Arts from Wesleyan University. He is an advisor to several private companies, a former director of Provident Mutual Life Insurance Company and currently serves as a board member of the Direct Selling Education Foundation, a position he has held since 2001.

Jesse T. Rogers is a Managing Director of Golden Gate Capital, a position he has held since its inception in 2000. Prior to joining Golden Gate Capital, Mr. Rogers was a partner at Bain & Company for over ten years, where he served as the West Coast head of the consumer products practice and founded Bain & Company's worldwide Private Equity Group. Mr. Rogers received his MBA from Harvard Business School and his Bachelor of Arts from Stanford University. He is currently a director of several private companies and previously served as a director of Beringer Wine Estates and Bain & Company.

Leslie Stanford has been an independent Herbalife distributor for 23 years. A member of the International Chairman's Club, Ms. Stanford is active with distributors of Herbalife's products throughout the world. Ms. Stanford has been active in training other Herbalife distributors around the world, and has served on various strategy and planning groups for Herbalife. She graduated from the University of Alberta, and is involved in various charities including the Herbalife Family Foundation.

Director Compensation

Each independent director currently receives $25,000 per year for services as a director, plus (1) $5,000 for each Board meeting attended by the director, (2) $2,500 for each committee of the Board on which the director serves, (3) $3,000 per diem for other meetings and (4) reimbursement of all travel and related expenses. Additionally, each independent director was granted options to purchase 50,000 common shares of Herbalife at a strike price of $0.44 and options to purchase 50,000 common shares of Herbalife at a strike price of $1.76. These options will vest pro rata with 5% vesting on the date of grant and the balance vesting in equal quarterly installments over 19 calendar quarters. In addition the Board granted Henry Burdick options to purchase 300,000 common shares of Herbalife at a strike price of $0.44 and options to purchase 300,000 common shares of Herbalife at a strike price of $1.76. Both of these grants to Henry Burdick are fully vested.

Directors who are employees of Herbalife or any of its affiliates or have been designated as directors by the affiliates of Herbalife or its distributors are not independent directors for purposes of director compensation and, in lieu of the compensation described above, receive an annual stipend in the amount of $1,000 for their service as directors.

Executive Compensation

Summary Compensation Table. The following table sets forth the annual and long-term compensation of our Chief Executive Officer and each of the four other most highly compensated executive officers (collectively, the "Named Executive Officers") for the fiscal years ended December 31, 2001, 2002 and 2003.

		Annual Compensation			Long-Term Compensation Awards			
Name and Principal Position	Year	Salary($)	Bonus($)(1)	Other Annual Compensation ($)(2)	Restricted Stock Award(s)($)	Securities Underlying Options/ SARs(#)	LTIP Payouts($)	All Other Compensation ($)(3)
Michael O. Johnson Chief Executive Officer (Joined the Company April 3, 2003)	2003	$ 604,807(12)	$ 1,350,000	$ —	$ —	5,911,845	$ —	$ 25,790(5)
Brian L. Kane(4) Prior CEO and Current President, Europe	2003	$ 726,202	$ 425,000	$ —	$ —	1,811,375	—	$ 65,389(6)
	2002	725,384	982,500	—	—	—	—	2,386,977
	2001	700,000	792,000	60,000	—	—	—	392,420
Carol Hannah(4) Prior CEO and President Distributor Communications and Support	2003	$ 712,500	$ 425,000	$ —	$ —	1,811,375	—	$ 35,344(7)
	2002	777,885	1,054,688	—	—	—	—	3,435,425
	2001	752,000	792,000	60,000	—	—	—	476,305
Gregory Probert Chief Operating Officer (Joined the Company July 31, 2003)	2003	$ 207,885(12)	450,000	—	—	850,000	—	$ 6,231
David Kratochvil Chief Logistics Officer	2003	$ 400,000	$ 100,000	$ —	$ —	—	$ —	$ 31,135(9)
	2002	425,961	125,000	—	—	300,000	—	86,428(10)
	2001	400,000	95,385	30,000	—	—	—	108,533
John Purdy Senior Vice President Asia/Pacific Rim	2003	$ 387,308	$ 95,000	$ —	$ —	—	$ —	$ 35,151(10)
	2002	380,000	125,000	—	—	300,000	—	178,597
	2001	350,000	74,712	30,000	—	—	—	305,032
Robert Levy Senior Vice President The Americas	2003	$ 380,000	$ 95,000	$ —	$ —	—	$ —	$ 49,766(11)
	2002	380,000	150,000	—	—	300,000	—	49,502
	2001	360,868	83,462	30,000	—	—	—	37,966

(1) The 2001 amounts reflect bonuses earned under the 1994 Performance-Based Annual Incentive Compensation Plan. The 2002 bonus amounts of Mr. Kane and Ms. Hannah were earned under the 1994 Performance-Based Annual Incentive Compensation Plan for the first six months and a discretionary bonus was awarded for the last six months of 2002 and the year ended December 31, 2003.

(2) Amounts shown represent payments for non-accountable expense reimbursement allowances and the aggregate of other payments or benefits that do not individually exceed 25% of the total perquisite or personal benefits for Messrs. Kane, Kratochvil, Purdy, Levy, and Ms. Hannah.

(3) For 2003, these amounts represent payments under the Executive Long-Term Disability Plan, Executive Life Insurance Plan, the Herbalife International Employees 401(k) Profit Sharing Plan and Trust, the Executive Medical Plan, the Deferred Compensation Plan, private use and transfer of a company-owned car, and employee awards.

(4) Until April 3, 2003, Mr. Kane and Ms. Hannah served as Co-Presidents.

(5) Mr. Johnson's amount includes $1,575 from the Executive Long-Term Disability Plan, $929 from the Executive Life Insurance Plan, $11,517 from the Executive Medical Plan, and $11,769 from the Deferred Compensation Plan.

(6) Mr. Kane's amount includes $2,100 from the Executive Long-Term Disability Plan, $1,238 from the Executive Life Insurance Plan, $6,000 from the 401(k) Tax-Sheltered Savings Plan, $15,356 from the Executive Medical Plan, $20,553 from the Deferred Compensation Plan, and $20,142 for private use of company owned car including the fair value of the car when transferred to Mr. Kane.

(7) Ms. Hannah's amount includes $2,100 from the Executive Long-Term Disability Plan, $1,238 from the Executive Life Insurance Plan, $6,000 from the 401(k) Tax-Sheltered Savings Plan, $5,452 from the Executive Medical Plan, and $20,554 from the Deferred Compensation Plan.

(8) Mr. Probert's amount includes $700 from the Executive Long-Term Disability Plan, $413 from the Executive Life Insurance Plan, $5,119 from the Executive Medical Plan.

(9) Mr. Kratochvil's amount includes $1,680 from the Executive Long-Term Disability Plan, $1,238 from the Executive Life Insurance Plan, $6,000 from the 401(k) Tax-Sheltered Savings Plan, $10,678 from the Executive Medical Plan, and $11,539 from the Deferred Compensation Plan.

(10) Mr. Purdy's amount includes $1,596 from the Executive Long-Term Disability Plan, $1,238 from the Executive Life Insurance Plan, $6,000 from the 401(k) Tax-Sheltered Savings Plan, $15,356 from the Executive Medical Plan, and $10,962 from the Deferred Compensation Plan.

(11) Mr. Levy's amount includes $1,596 from the Long-Term Disability Plan, $1,238 from the Executive Life Insurance Plan, $6,000 from the 401(k) Tax-Sheltered Savings Plan, $15,356 from the Executive Medical Plan, $10,962 from the Deferred Compensation Plan, and $14,615 from vacation pay-out.

(12) Amounts are pro-rated to reflect partial year served in such office.

Option Grants in Last Fiscal Year.

The following table contains information concerning options to purchase common shares of Herbalife granted in 2003 to each of the Named Executive Officers. In the judgment of the Board, the per share exercise price of all options described below are higher than the fair market value of Herbalife's common shares on the grant date.

	Individual Grants					
Name	**Number of Securities Underlying Options Granted**	**Percent of Total Options Granted to Employees in Fiscal Year**	**Exercise Price Per Share($)**	**Expiration Date**	**Grant Date Present Value ($)(1)**	**Grant Date**
Michael O. Johnson	1,182,369	7%	$ 0.44	4/3/2013	$ 1,123,251	4/3/2003
	1,182,369	7%	1.76	4/3/2013	—	4/3/2003
	1,182,369	7%	5.28	4/3/2013	—	4/3/2003
	1,182,369	7%	8.80	4/3/2013	—	4/3/2003
	1,182,369	7%	12.32	4/3/2013	—	4/3/2003
Brian L. Kane	1,207,583	7%	$ 0.44	3/10/2013	$ 809,081	3/10/2003
	603,792	3%	1.76	3/10/2013		3/10/2003
Carol Hannah	1,207,583	7%	$ 0.44	3/10/2013	$ 809,081	3/10/2003
	603,792	3%	1.76	3/10/2013	—	3/10/2003
Gregory Probert	250,000	1%	$ 2.50	7/31/2013	—	7/31/2003
	150,000	1%	3.50	7/31/2013	—	7/31/2003
	150,000	1%	5.50	7/31/2013	—	7/31/2003
	150,000	1%	8.50	7/31/2013	—	7/31/2003
	150,000	1%	11.50	7/31/2013	—	7/31/2003
David Kratochvil	—	—	—	—	—	
John Purdy	—	—	—	—	—	
Robert Levy	—	—	—	—	—	

(1) In accordance with the rules of the Securities and Exchange Commission, we used the Black Scholes option pricing model to estimate the grant date present value of the options set forth in this table. The assumptions used for the valuation include: 0% expected volatility; 3% risk free rate of return; 0% dividend yield and options exercise averaging 5 year term. We did not make any adjustment for non-transferability or risk of forfeiture.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values.

The following table sets forth information with respect to: (1) common shares of Herbalife acquired upon exercise of stock options and (2) unexercised options to purchase common shares of Herbalife granted as of December 31, 2003.

Name	Shares Acquired on Exercise(#)	Value Realized($)	Securities Underlying Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($ in millions)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael O. Johnson			—	5,911,845	$ —	$ 3.5
Brian L. Kane			543,413	1,267,962	$ 0.9	$ 2.2
Carol Hannah			543,413	1,267,962	$ 0.9	$ 2.2
Gregory Probert			—	850,000	$ —	$ —
David Kratochvil			75,000	225,000	$ 0.1	$ 0.3
John Purdy			75,000	225,000	$ 0.1	$ 0.3
Robert Levy			75,000	225,000	$ 0.1	$ 0.3

(1) Represents the difference between the fair market value of common shares on December 31, 2003 of $ based on an independent valuation on September 30, 2003, and the exercise price of the options.

Description of Benefit Plans

WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan. Herbalife has established a stock incentive plan that provides for the grant of options to purchase common shares of Herbalife or stock appreciation rights to employees or consultants of Herbalife. The purpose of the plan is to promote the long-term financial interest and growth of the Company by attracting and retaining employees and consultants who can make a substantial contribution to the success of the Company, to motivate and to align interests with those of the equity holders. The stock incentive plan is administered by the compensation committee. Herbalife has reserved 18,717,546 of its common shares (reduced by any common shares that are subject to awards granted under the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan) for issuance under the stock incentive plan.

Each stock option agreement and SAR award agreement will specify the date when all or any installment of an award is to become exercisable but, generally, no award may be exercisable after the expiration of 10 years from the date it was granted. Upon termination of employment for any reason other than "cause," the unvested awards would continue to be exercisable for a period of time, following which the award will terminate.

WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan. Herbalife has established an independent directors stock option plan that provides for the grant of options to purchase common shares of Herbalife to independent directors of Herbalife. Directors who are employees of Herbalife or any of its affiliates or have been designated as directors by the affiliates of Herbalife or its distributors are not independent directors for purposes of director compensation. Herbalife has reserved 1,000,000 of its common shares for issuance under the independent directors stock option plan.

The purpose of the plan is to promote the long-term financial interest and growth of the Company by attracting and retaining independent directors who can make a substantial contribution to the success of the Company, to motivate and to align interests with those of the equity holders. The option plan is administered by the compensation committee. One million shares have been reserved for grant under this plan.

Taken together, approximately 15.5% of the Company's share capital at the time of the Acquisition (18.7 million shares) are available for grant under the Stock Incentive Plan and the Independent Directors Stock Option Plan. As of December 31, 2003, the Company had granted options net of cancellations to acquire approximately 16.9 million of its common shares to eligible employees under the Stock Incentive Plan and options to acquire approximately 0.8 million of its common shares to independent directors under the Independent Directors Stock Option Plan. In the aggregate under the two plans, the Company has granted options to acquire approximately 17.7 million of its common shares, which is equal to 17.4% of its current share capital. No additional stock options or stock appreciation rights will be granted under either the Stock Incentive Plan or the Independent Directors Stock Option plan following the consummation of this offering.

Deferred Compensation Plans. We maintain three deferred compensation plans for select groups of management or highly compensated employees: (1) the Herbalife Management Deferred Compensation Plan, effective January 1, 1996 (the "Management Plan"), which is applicable to eligible employees at the rank of either vice president or director; (2) the Herbalife Senior Executive Compensation Plan, effective January 1, 1996 (the "Senior Executive Plan"), which is applicable to eligible employees at the rank of Senior Vice President and higher and (3) the Supplemental Senior Executive Deferred Compensation Plan (the "Supplemental Plan") effective July 30, 2002. The Management Plan and the Senior Executive Plan are referred to as the "Deferred Compensation Plans." The Deferred Compensation Plans were amended and restated effective January 1, 2001.

The Deferred Compensation Plans are unfunded and benefits are paid from our general assets, except that we have contributed amounts to a "rabbi trust" whose assets will be used to pay benefits if we remain solvent, but can be reached by our creditors if we become insolvent. The Deferred Compensation Plans allow eligible employees, who are selected by the administrative committee that manages and administers the plans (the "Deferred compensation committee"), to elect annually to defer up to 50% of their annual base salary and up to 100% of their annual bonus for each calendar year (the "Annual Deferral Amount"). We make matching contributions on behalf of each participant in the Senior Executive Plan, which matching contributions are 100% vested at all times ("Matching Contributions").

Effective January 1, 2002, the Senior Executive Plan was amended to provide that the amount of the Matching Contributions is to be determined by us in our discretion. For 2002 the Matching Contribution was equal to an amount of up to 7.5% of a participant's annual base salary. Effective January 1, 2003, the Matching Contribution has been reduced to 3% and remains 3% for 2004.

Each participant in a Deferred Compensation Plan may determine how his or her Annual Deferral Amount and Matching Contributions, if any, will be deemed to be invested by choosing among several investment funds or indices designated by the Deferred compensation committee. The Deferred Compensation Plans, however, do not require us to actually acquire or hold any investment fund or other assets to fund the Deferred Compensation Plans. The entire interest of each participant in a Deferred Compensation Plan is always fully vested and non-forfeitable.

In connection with a participant's election to defer an Annual Deferral Amount, the participant may also elect to receive a short-term payout, equal to the Annual Deferral Amount and the Matching Contributions, if any, attributable thereto plus earnings, and shall be payable two or more years from the first day of the year in which the Annual Deferral Amount is actually deferred. As of January 2004, the Deferred Compensation Plans were amended to allow for deferral of the short-term payout date if the deferral is made within the time period specified therein. Subject to the short-term payout provision and specified exceptions for unforeseeable financial emergencies, a participant may not withdraw, without incurring a ten percent (10%) withdrawal penalty, all or any portion of his or her account under the Deferred Compensation Plans prior to the date that such participant either (1) is determined by the Deferred compensation committee to have incurred permanent and total disability or (2) dies or otherwise terminates employment.

The Supplemental Plan is unfunded and all benefits thereunder are paid from our general assets, except that we have contributed amounts to a "rabbi trust" whose assets will be used to pay benefits if we remain solvent, but can be reached by our creditors if we become insolvent. The Supplemental Plan allows employees to participate who are highly compensated and who are eligible to participate in the Herbalife International, Inc. Senior Executive Change in Control Plan (the "Change in Control Plan"). The Deferred compensation committee allows eligible employees to defer up to 100% of their Change in Control Payment. A "Change in Control Payment" is an amount equal to three times an eligible employee's compensation.

Each participant in the Supplemental Plan will be deemed to have invested in funds that provide a return equal to the short-term applicable federal rate, within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). The Supplemental Plan, however, does not require us to actually acquire or hold any investment fund or other assets to fund the Supplemental Plan. The entire interest of each participant in a Supplemental Plan is always fully vested and non-forfeitable. In connection with a participant's election to defer the Change in Control Payment, the participant may also elect to receive a short-term payout, equal to the deferral amount plus earnings and payable two or more years from the first day of the year in which the deferral amount is actually deferred. Subject to the short-term payout provision and specified exceptions for unforeseeable financial emergencies, a participant may not withdraw, without incurring a ten percent (10%) withdrawal penalty, all or any portion of his or her account under the Supplemental Plan prior to the date that such participant either (1) is determined by the Deferred compensation committee to have incurred permanent and total disability or (2) dies or otherwise terminates employment.

Executive Retention Plan. We have an Executive Retention Plan effective March 15. 2001. The purpose of the Executive Retention Plan is to provide financial incentives for a select group of management and highly compensated employees of the Company to continue to provide services to the Company during the period immediately before and immediately after change in control, as defined.

As a result of certain actions by Herbalife International's Board, the Acquisition was not deemed to be a Change in Control under the Executive Retention Plan. Thus, the consummation of the Acquisition did not result in the payment of any benefit pursuant to the Executive Retention Plan.

We also established an Executive Retention Trust to provide benefits under the Executive Retention Plan. The Executive Retention Trust is an irrevocable trust established with an institutional trustee. This irrevocable trust's assets will be used to pay the benefits of the Executive Retention Plan and are not intended to be reachable by our creditors. The value of the assets in the irrevocable trust was $2.7 million as of June 30, 2004. The Administrative Committee of the Executive Retention Plan will establish an individual account in the Executive Retention Trust for each participant in the Executive Retention Plan. Until the occurrence of a change in control, the Administrative Committee will control the investment of the assets in the Executive Retention Trust, and will determine the allocation of the assets of the Executive Retention Trust to the individual accounts of participants. Each participant who qualifies for a benefit under the Executive Retention Plan will receive a lump sum benefit equal to the dollar amount in his or her individual account in the Executive Retention Trust. The benefit shall be paid within 90 days after the participant qualifies for the benefit. If a participant's employment with the Company terminates before the participant qualifies for a benefit under the Executive Retention Plan, the participant's account in the Executive Retention Trust will revert to us. A participant's benefit under the Executive Retention Plan will be reduced if the amount would cause payment of federal excise tax.

401(k) profit sharing plan. We maintain a tax-qualified profit sharing plan pursuant to Sections 401(a) and 401(k) of the Code (the "401(k) Plan"). The 401(k) Plan allows any eligible employee, including specified common-law employees, to contribute each pay period from 2% to 17% of the employee's earnings (but not in excess of $13,000 per year, as adjusted after 2003) or $16,000 in the case of those participants over 50 years of age for investment in mutual funds held by the 401(k) Plan's trust. We make contributions to the 401(k) Plan in an amount equal to 3% of the earnings of each employee who elects to defer 2% or more of his or her earnings and beginning on January 1, 2003 a matching contribution equal to one dollar for each dollar of deferred earnings not to exceed 3% of the participant's earnings. The 401(k) Plan also imposes restrictions on the aggregate amount that may be contributed by higher-paid employees in relation to the amount contributed by the remaining employees. A participating employee is fully vested at all times in his or her contributions and in the trust fund's earnings attributable to his or her contributions. An employee becomes fully vested in our contributions and the earnings of the trust fund attributable to our contributions (1) upon the employee's death, (2) upon the employee's disability, or (3) upon the employee reaching the 401(k) Plan's normal retirement age, which is the latter of age 65 and the completion of five years of service with us. An employee may not withdraw all or any portion of his or her account prior to the date that the employee either (1) incurs a hardship or (2) terminates employment with us. Effective January 1, 2003, the 401(k) Plan was amended to provide that an employee vests in 20% increments annually until fully vested upon the fifth anniversary of his participation in the 401(k) Plan.

Employment Contracts

On April 3, 2003, we announced the appointment of Mr. Michael O. Johnson as Chief Executive Officer and director. Our subsidiaries, Herbalife International and Herbalife International of America, Inc. ("Herbalife America") entered into an executive employment agreement (the "Johnson Employment Agreement") with Mr. Johnson effective as of April 3, 2003. For his services, Mr. Johnson is entitled to receive an annual salary of $850,000. Under the terms of the Johnson Employment Agreement, in addition to his salary, Mr. Johnson shall be entitled to participate in or receive benefits under each benefit plan or arrangement made available by the us to our senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife International and Herbalife America.

Mr. Johnson is also eligible to receive an annual cash bonus in such amounts, and based on such targets, established annually by the Board of Directors in accordance with the Johnson Employment Agreement. Mr. Johnson's annual bonus for the fiscal year ending December 31, 2003 was $1,350,000 and was dependent, in part, on our operating subsidiaries' 2003 EBITDA performance.

In addition, Mr. Johnson has been granted stock options under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan to purchase an aggregate of 5,911,845 common shares of Herbalife at exercise prices as follows: 1,182,369 shares at $0.44 per share, 1,182,369 shares at $1.76 per share, 1,182,369 shares at $5.28 per share, 1,182,369 shares at $8.80 per share, and 1,182,369 shares at $12.32 per share. The options vest under a schedule over time through June 30, 2008. The options expire 10 years after the date of grant.

In the event of any Change of Control (as defined in the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan), 50% of the shares granted pursuant to the options (pro rata according to the number of shares exercisable at the relevant exercise prices specified above for each of the individual tranches) will become immediately vested and exercisable. If, following any Change of Control, all or any portion of the options remain outstanding and Mr. Johnson's employment is terminated (other than by reason of Mr. Johnson's resignation without Good Reason or termination by us for Cause (each as defined in the Johnson Employment Agreement)) at any time following such Change of Control, 100% of the shares granted pursuant to the options will immediately vest and become exercisable. In the event Mr. Johnson's employment is terminated by reason of Mr. Johnson's death or disability or during the 90 day period before any Change of Control, 100% of the shares granted pursuant to the options will immediately vest and become exercisable.

Under the terms of the Johnson Employment Agreement, the term of Mr. Johnson's employment is for the period commencing on April 3, 2003, until his employment is terminated for a variety of reasons including death, disability, termination by Herbalife International and Herbalife America with our without cause, termination by Mr. Johnson with or without good reason and termination in connection with certain organic transactions.

Upon termination of Mr. Johnson's employment by Herbalife International and Herbalife America for cause, or by Mr. Johnson without good reason, Mr. Johnson would be entitled to his then current accrued and unpaid base salary through the effective date of termination as well as 100% of any accrued and unpaid bonus for any years preceding the year of termination, and not for the year of termination. Mr. Johnson would also be entitled to any rights that may exist in his favor to payment of any amount under any employee benefit plan or arrangement of Herbalife International or Herbalife America, other than those set forth in the Johnson Employment Agreement, in accordance with the terms and conditions of any such employee benefit plan or arrangement.

Upon termination of Mr. Johnson's employment by Herbalife International and Herbalife America without cause, or by Mr. Johnson for good reason, in addition to the benefits described in the preceding paragraph, Mr. Johnson would also be entitled to an additional amount equal to two years' base salary and bonus for the year of termination, payable in twenty four equal monthly installments.

In the event that Mr. Johnson's employment with Herbalife International and Herbalife America is terminated by Herbalife International and Herbalife America without cause, or by Mr. Johnson for good reason, during the period beginning 90 days prior to and ending 90 days following a Sale Event (as defined in the Johnson Employment Agreement), which Sale Event results in the cancellation or termination of Mr. Johnson's stock options, or in the event that Mr. Johnson delivers written notice of his resignation (for any reason) upon the consummation of or within 90 days following such a Sale Event, in addition to the benefits described in the preceding two paragraphs (to the extent payable pursuant to the terms thereof), Mr. Johnson would also be entitled to an additional amount equal to his annual base salary multiplied by the number of tranches of Mr. Johnson's stock option grant described above that are out-of-the-money at the time of such Sale Event, meaning that Mr. Johnson receives no consideration in respect of the cancellation or termination of such tranches in connection with the Sale Event.

We have also entered into an executive employment agreement (the "Probert Employment Agreement") effective July 31, 2003 with Mr. Gregory Probert through our subsidiary Herbalife America. Pursuant to the Probert Employment Agreement, Mr. Probert served as Executive Vice President until December 31, 2003 and as Chief Operating Officer thereafter. The term of the Probert Employment Agreement expires on August 11, 2006. For his services as Executive Vice President, Mr. Probert was compensated at a pro-rated salary of $525,000 per annum. Starting on January 1, 2004, for his services as Herbalife America's Chief Operating Officer, Mr. Probert is entitled to receive an annual salary of $680,000. Under the terms of the Probert Employment Agreement, in addition to his salary, Mr. Probert is entitled to participate in or receive benefits under each benefit plan or arrangement made available by us to our senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife America.

In addition, Mr. Probert received an annual cash bonus of $450,000 for the fiscal year ending December 31, 2003 and is eligible to receive an annual cash bonus equal to 100% of the applicable annual bonus thereafter, calculated in accordance with the then-current bonus formula approved by us for our most senior officers.

Mr. Probert has also been granted stock options under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan to purchase an aggregate of 1,250,000 common shares of Herbalife at exercise prices as follows: 250,000 shares at $2.50 per share, 150,000 shares at $3.50 per share, 80,000 shares at $4.50 per share, 150,000 shares at $5.50 per share, 80,000 shares at $6.50 per share, 230,000 shares at $8.50 per share, 80,000 shares at $10.50 per share, 150,000 shares at $11.50 per share and 80,000 shares at $12.50 per share. The options vest under a schedule over time through September 1, 2009. The options expire 10 years after the date of grant.

In the event of any Change of Control (as defined in the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan), 50% of the shares granted pursuant to the options (pro rata according to the number of shares exercisable at the relevant exercise prices specified above for each of the individual tranches) will become immediately vested and exercisable. If, following any Change of Control, all or any portion of the options remain outstanding and Mr. Probert's employment is terminated (other than by reason of Mr. Probert's resignation without Good Reason or termination by us for Cause at any time following such Change of Control, 100% of the shares granted pursuant to the options will immediately vest and become exercisable. In the event Mr. Probert's employment is terminated by reason of Mr. Probert's death or disability or during the 90 day period before any Change of Control, 100% of the shares granted pursuant to the options will immediately vest and become exercisable.

Upon termination of Mr. Probert's employment by us without cause, or upon his resignation for good reason, if such termination occurs prior to August 11, 2005, Mr. Probert would only be entitled to receive one year's then current salary plus bonus. If such termination occurs between August 11, 2005 and August 11, 2006, Mr. Probert would be entitled to receive one year's then current salary. In the event that Mr. Probert has not obtained subsequent employment by the one year anniversary of his termination, we would commence paying Mr. Probert's salary in accordance with our payroll practices for senior executives, through the remainder of Mr. Probert's employment term, subject to Mr. Probert's duty to mitigate. Such payments would cease if Mr. Probert obtains employment or fails to document his reasonable efforts to seek employment in accordance with the Probert Employment Agreement.

We have also entered into an executive employment agreement (the "Goudis Employment Agreement") effective June 1, 2004 with Mr. Richard Goudis through our subsidiary Herbalife America. Pursuant to the Goudis Employment Agreement, Mr. Goudis will serve as Chief Financial Officer beginning June 14, 2004 for a term of three years. For his services as Chief Financial Officer, Mr. Goudis will be entitled to a salary of $430,000 for his first full calendar year of employment, $475,000 for his second year, and $500,000 for his third year. Under the terms of the Goudis Employment Agreement, in addition to his salary, Mr. Goudis is entitled to participate in or receive benefits under each benefit plan or arrangement made available by us to our senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife America.

In addition, Mr. Goudis will be eligible to receive an annual cash bonus equal to 50% of his then-current base salary, calculated in accordance with the then-current bonus formula approved by us for our most senior officers. We also agreed to grant to Mr. Goudis options under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan to purchase an aggregate of 475,000 common shares of Herbalife at exercise prices as follows: 80,000 shares at $4.01 per share; 10,000 shares at $4.50 per share; 80,000 shares at $6.00 per share; 10,000 shares at $6.50 per share; 80,000 shares at $8.00 per share; 10,000 shares at $8.50 per share; 80,000 shares at $10.00 per share; 10,000 shares at $10.50 per share; 80,000 shares at $12.00 per share and 10,000 shares at $12.50 per share. The options vest at the rate of 5% per calendar quarter. The options expire 10 years after the date of grant. Upon termination of Mr. Goudis' employment by us without cause, or upon his resignation for good reason, Mr. Goudis would be entitled to receive his then current base salary for the remainder of the term under the Goudis Employment Agreement, subject to his duty to mitigate; provided that such payments would cease if Mr. Goudis obtains subsequent employment or fails to document to us on a monthly basis that he is making reasonable efforts to seek employment.

Mr. Burdick is an at-will employee and for his services as Vice Chairman, Mr. Burdick is entitled to receive an annual salary of $500,000. In addition, Mr. Burdick is eligible to receive a discretionary bonus. For 2003 the bonus was zero.

Mr. Burdick was granted 50,000 options to purchase Herbalife common shares at an exercise price of $0.44 per share and 50,000 options to purchase Herbalife common shares at an exercise price of $1.76 per share under the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan, of which 30,000 were exercisable within 60 days of December 31, 2003. In addition the Board granted Mr. Burdick options to purchase 300,000 common shares of Herbalife at a strike price of $0.44 and options to purchase 300,000 common shares of Herbalife stock at a strike price of $1.76 under the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan. These 600,000 options have vested. In 2003, Mr. Burdick accepted an executive management position with us and now serves as our Vice Chairman. As a result, Mr. Burdick may no longer be considered an independent director. Under the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan, the termination of Mr. Burdick as an independent director results in the unexercisable portion of the options granted pursuant to the plan terminating on the date of such termination and the remaining exercisable portion of the options granted pursuant to the plan becoming exercisable for thirty days following termination as an independent director. In light of the fact that the termination of Mr. Burdick's status as an independent director occurred at the request of the Board, in 2003, the Compensation Committee of the Board took action to waive those provisions that would have resulted in the termination of the unexercisable portion of Mr. Burdick's options granted under the plan and that would have caused the remaining exercisable portion of those options to become exercisable for only thirty days following the termination of his status as an independent director.

In connection with the engagement of Mr. Burdick as Vice Chairman, Mr. Burdick was granted an aggregate of 400,000 options to purchase common shares of Herbalife under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan at exercise prices as follows: 80,000 shares at $0.44 per share, 80,000 shares at $1.76 per share, 80,000 shares at $5.28 per share, 80,000 shares at $8.80 per share, and 80,000 shares at $12.32 per share. The options vest under a schedule over time through June 30, 2008. The options expire 10 years after the date of grant.

In the event of any Change of Control (as defined in the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan), 50% of the shares granted pursuant to the options (pro rata according to the number of shares exercisable at the relevant exercise prices specified above for each of the individual tranches) issued to Mr. Burdick under that plan will become immediately vested and exercisable. If, following any Change of Control, all or any portion of the options issued to Mr. Burdick under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan remain outstanding and Mr. Burdick's employment is terminated (other than by reason of Mr. Burdick's resignation without Good Reason or termination by us for Cause) at any time following such Change of Control, 100% of the shares granted pursuant to the options issued to Mr. Burdick under that plan will immediately vest and become exercisable. In the event Mr. Burdick's employment is terminated by reason of Mr. Burdick's death or disability or during the 90 day period before any Change of Control, 100% of the shares granted pursuant to the options issued to Mr. Burdick under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan will immediately vest and become exercisable.

On October 6, 2003, we appointed Mr. Brett R. Chapman as General Counsel. We have entered into an executive employment agreement (the "Chapman Employment Agreement") with Mr. Chapman effective as of October 6, 2003 for a term of three years through our subsidiary, Herbalife America. For his services, Mr. Chapman is entitled to receive an annual salary of $435,000. Under the terms of the Chapman Employment Agreement, in addition to his salary, Mr. Chapman shall be entitled to participate in or receive benefits under each benefit plan or arrangement made available by us to our senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife America.

In addition, Mr. Chapman received an annual cash bonus of $140,000 for the fiscal year ending December 31, 2003 and is eligible to receive an annual cash bonus equal to 50% of his base salary, calculated in accordance with the then-current bonus formula approved by us for our most senior officers. Mr. Chapman's target bonus is set in the Chapman Employment Agreement at an amount equal to 50% of Mr. Chapman's annual salary for the year with respect to which the bonus is to be paid.

Mr. Chapman has also been granted stock options under the WH Holdings (Cayman Islands) Ltd. Option Plan to purchase an aggregate of 475,000 common shares of Herbalife at exercise prices as follows: 150,000 shares at $2.50 per share, 43,750 shares at $3.50 per share, 30,000 shares at $4.50 per share, 43,750 shares at $5.50 per share, 30,000 shares at $6.50 per share, 73,750 shares at $8.50 per share, 30,000 shares at $10.50 per share, 43,750 shares at $11.50 per share and 30,000 shares at $12.50 per share. The options vest under a schedule over time through October 6, 2008. The options expire 10 years after the date of grant.

In the event of any Change of Control (as defined in the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan), 50% of the shares granted pursuant to the options (pro rata according to the number of shares exercisable at the relevant exercise prices specified above for each of the individual tranches) issued to Mr. Chapman under that plan will become immediately vested and exercisable. If, following any Change of Control, all or any portion of the options issued to Mr. Chapman under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan remain outstanding and Mr. Chapman's employment is terminated (other than by reason of Mr. Chapman's resignation without Good Reason or termination by us for Cause (as defined in the Chapman Employment Agreement)) at any time following such Change of Control, 100% of the shares granted pursuant to the options issued to Mr. Chapman under that plan will immediately vest and become exercisable. In the event Mr. Chapman's employment is terminated by reason of Mr. Chapman's death or disability or during the 90 day period before any Change of Control, 100% of the shares granted pursuant to the options issued to Mr. Chapman under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan will immediately vest and become exercisable.

Upon termination of Mr. Chapman's employment by us without cause, or upon his resignation for good reason, Mr. Chapman would be entitled to receive one year's then current salary. In the event that Mr. Chapman has not obtained subsequent employment by one year after termination, we would commence paying Mr. Chapman's salary in accordance with our payroll practices for senior executives, through the remainder of Mr. Chapman's employment term, subject to Mr. Chapman's duty to mitigate. Such payments would cease if Mr. Chapman obtains employment or fails to document his reasonable efforts to seek employment in accordance with the Chapman Employment Agreement.

We have also entered into an executive employment agreement (the "Kane Employment Agreement") with Brian Kane through our subsidiary Herbalife Lux. The Kane Employment Agreement became effective as of April 4, 2004. The term of the Kane Employment Agreement expires on March 10, 2006. Under the Kane Employment Agreement, Mr. Kane is engaged as President, EMEA. For his services, Mr. Kane is entitled to receive an annual salary of £309,943. Under the terms of the Kane Employment Agreement, in addition to his salary, Mr. Kane shall be entitled to participate in or receive benefits under each benefit plan or arrangement made available by Herbalife Lux to its senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife Lux.

Under the terms of the Kane Employment Agreement, Herbalife Lux may terminate Mr. Kane's employment without Cause (as defined in the Kane Employment Agreement) at any time upon six months prior written notice (or pay and continued benefits in lieu thereof). In the event Herbalife Lux terminates Mr. Kane's employment with or without Cause, Mr. Kane terminates his employment or Mr. Kane dies or becomes Disabled (as defined in the Kane Employment Agreement), Herbalife Lux must pay Mr. Kane all accrued base salary, benefits and other amounts Mr. Kane is entitled to as of the date of termination.

Mr. Kane has been granted stock options as of March 10, 2003 under the WH Holdings (Cayman Islands) Ltd. Option Plan to purchase 1,207,583 common shares of Holdings at an exercise price of $0.44 per share and 603,792 common shares of Holdings at an exercise price of $1.76 per share. The options granted to Mr. Kane are subject to a vesting schedule whereby 15% of the options vest immediately and thereafter, vest at a rate of 5% each quarter until all of the options become fully vested and exercisable as of June 30, 2007. The options expire 10 years after the date of grant.

Under the terms of the stock option grants, in the event Mr. Kane's employment with Herbalife is terminated for whatever reason, the unexercisable portion of Mr. Kane's stock options will terminate on the date of such termination and the exercisable portion of Mr. Kane's stock options will be treated as follows. Subject to Herbalife's right to repurchase the shares and subject to the shareholders' agreement, if Mr. Kane's employment is terminated for Cause, the exercisable portion of Mr. Kane's stock options will terminate on the date of such termination. If Mr. Kane's employment is terminated for any reason except for Cause, the exercisable portion of Mr. Kane's stock options will be exercisable for 30 days following the termination. If Mr. Kane's employment is terminated on account of a "disability" as defined in Section 22(e) of the Code or death, Mr. Kane or Mr. Kane's personal representative may exercise the exercisable portion of Mr. Kane's stock options for 90 days following the termination of employment on account of such disability or Mr. Kane's death. In addition, in connection with certain transaction involving a change in control (as defined in the stock option agreement) or the initial public offering of Herbalife's common shares whereby the sponsors sell 100% of their investments in the debt and equity securities of Herbalife, the previously unexercisable portion of Mr. Kane's stock options will immediately become 100% vested and exercisable immediately prior to the closing of any such transaction.

We have also entered into an executive employment agreement (the "Hannah Employment Agreement") with Carol Hannah through our subsidiaries Herbalife and Herbalife America. The Hannah Employment Agreement became effective as of March 10, 2003. The Hannah Employment Agreement is for a three year term. Ms. Hannah is engaged as President of Distributor Communications and Support. For her services, Ms. Hannah is entitled to receive an annual salary of $712,500. Under the terms of the Hannah Employment Agreement, in addition to her salary, Ms. Hannah shall be entitled to participate in or receive benefits under each benefit plan or arrangement made available by us to our senior executives on terms no less favorable than those generally applicable to senior executives of Herbalife and Herbalife America.

Under the terms of the Hannah Employment Agreement, if, at any time during the term of the Hannah Employment Agreement, (1) Herbalife terminates Ms. Hannah's employment without Cause (as defined in the Hannah Employment Agreement) Herbalife must pay Ms. Hannah (in addition to all accrued base salary, bonus for the year preceding the year of termination, benefits and other amounts Ms. Hannah is entitled to) an amount equal to one year's salary and bonus (the bonus for the year of termination shall be equal to one year's base salary). In addition, Herbalife shall continue to afford to Ms. Hannah medical, dental, vision, long-term disability and life insurance benefits for one year. If Ms. Hannah (1) dies or (2) becomes disabled at any time during the term of the Hannah Employment Agreement, upon the Death or Disability of Ms. Hannah (as defined in the Hannah Employment Agreement), Herbalife must pay Ms. Hannah or her beneficiaries or estate (in addition to all accrued base salary, bonus for the year preceding the year of termination, benefits and other amounts Ms. Hannah is entitled to as of the date of termination) Ms. Hannah's base salary and bonus for one year (the bonus for the year of termination shall be equal to one year's base salary). In the event Ms. Hannah terminates her employment or Herbalife terminates Ms. Hannah's employment for Cause, Herbalife must pay Ms. Hannah all accrued base salary, bonus for the year preceding the year of termination, benefits and other amounts Ms. Hannah is entitled to as of the date of termination.

Ms. Hannah has been granted stock options as of March 10, 2003 under the WH Holdings (Cayman Islands) Ltd. Option Plan to purchase 1,207,583 common shares of Holdings at an exercise price of $0.44 per share and 603,792 common shares of Holdings at an exercise price of $1.76 per share. The options granted to Ms. Hannah are subject to a vesting schedule whereby 15% of the options vest immediately and thereafter, vest at a rate of 5% each quarter until all of the options become fully vested and exercisable as of June 30, 2007. The options expire 10 years after the date of grant.

Under the terms of the stock option grants, in the event Ms. Hannah's employment with Herbalife is terminated for whatever reason, the unexercisable portion of Ms. Hannah's stock options will terminate on the date of such termination and the exercisable portion of Ms. Hannah's stock options will be treated as follows. Subject to Herbalife's right to repurchase the shares and subject to the shareholders' agreement, if Ms. Hannah's employment is terminated for Cause, the exercisable portion of Ms. Hannah's stock options will terminate on the date of such termination. If Ms. Hannah's employment is terminated for any reason except for Cause, the exercisable portion of Ms. Hannah's stock options will be exercisable for 30 days following the termination. If Ms. Hannah's employment is terminated on account of a "disability" as defined in Section 22(e) of the Code or death, Ms. Hannah or Ms. Hannah's personal representative may exercise the exercisable portion of Ms. Hannah's stock options for 90 days following the termination of employment on account of such disability or Ms. Hannah's death. In addition, in connection with certain transaction involving a change in control (as defined in the stock option agreement) or the initial public offering of Herbalife's common shares whereby the sponsors sell 100% of their investments in the debt and equity securities of Herbalife, the previously unexercisable portion of Ms. Hannah's stock options will immediately become 100% vested and exercisable immediately prior to the closing of any such transaction.

Ms. Hannah recently notified us of her intention to retire from the Company. As a result, we entered into an amicable separation agreement and general release with her (the "Separation Agreement"), pursuant to which we agreed to terminate the Hannah Employment Agreement and to provide for certain mutual releases of claims, effective as of June 30, 2004. In addition, we entered into a consulting agreement with Ms. Hannah to engage her as an independent contractor to consult on all aspects of the Company's business through April 30, 2006. For her services, Ms. Hannah will receive a consulting fee of $59,375 per month during the term of the consultancy.

In addition to his duties as a member of our board of directors, Charles L. Orr periodically provides consulting services to Herbalife related to certain projects. Since the beginning of our last fiscal year, Mr. Orr has received approximately $93,000 as compensation for such services.

Board Structure

Our board of directors currently consists of nine directors. Our board of directors has determined that Mr. Orr is "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange, and it is anticipated that each of the three new directors that will be named to our board of directors prior to the listing of our shares on the New York Stock Exchange will be "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange.

Committees of the Board

The standing committees of our board of directors currently consist of an audit committee, a compensation committee, a corporate governance and nominating committee, and an executive committee.

Audit Committee

The principal duties of our audit committee are as follows:

- monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and reporting;
- monitor the independence and performance of the Company's independent auditors and internal auditing department; and
- provide an avenue of communication among the independent auditors, management, the internal auditing department, and the board of directors.

Our audit committee is currently composed of Messrs. Fordyce, Orr and Diekroeger, each of whom, it is anticipated, will resign from the audit committee contemporaneously with the listing of our common shares on the New York Stock Exchange. In addition, we expect that shortly prior to the listing of our common shares on the New York Stock Exchange the board will elect three new directors, (a) each of whom will be "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange, (b) each of whom will be members of our audit committee, and (c) one of whom will be an "audit committee financial expert," as this term has been defined by the SEC in Item 401(h)(2) of Regulation S-K.

Our board of directors has adopted a written charter for the audit committee which will be available on our website prior to completion of the offering.

Compensation Committee Interlocks and Insider Participation

From January 1 through December 31, 2003, the Compensation Committee consisted of Messrs. Jesse Rogers, James Fordyce, Steven Rodgers, and Ken Diekroeger. Steven Rodgers was an officer of Herbalife from April 2002 through December 31, 2003, and resigned from the Board of Directors effective June 8, 2004.

We expect that shortly prior to the listing of our common shares on the New York Stock Exchange the compensation committee will be composed of four directors, at least two of whom are "independent" as that term is defined by the rules of the New York Stock Exchange at the time of the listing of our common shares.

Corporate Governance and Nominating Committee

We expect that shortly prior to the listing of our common shares on the New York Stock Exchange the board will form a corporate governance and nominating committee, composed of four directors, at least two of whom are "independent" as that term is defined by the rules of the New York Stock Exchange at the time of the listing of our common shares.

The principal duties of the corporate governance and nominating committee are expected to be as follows:

- to recommend to our board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and

- to make recommendations to the board of directors regarding corporate governance matters and practices.

Our board of directors will adopt a written charter for the corporate governance and nominating committee prior to the listing of our shares on the New York Stock Exchange, which will be available on our website prior to completion of the offering.

Executive Committee

Our board of directors has delegated to the executive committee the authority to act for the board on most matters during intervals between board meetings, except with respect to issuances of stock, declarations of dividends and other matters that, under Cayman Islands law, may not be delegated to a committee of the board of directors. The principal duties of the executive committee are as follows:

- to develop and implement our policies, plans and strategies; and

- to approve, modify or reject certain acquisitions or investments.

The executive committee currently is composed of Messrs. Castleman (Chairman), Rogers, Fordyce, and Johnson (non-voting).

Codes of Conduct and Ethics and Corporate Governance Guidelines

Our board of directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees in accordance with applicable rules and regulations of the SEC and the NYSE. To the extent they are not already embodied therein, we will, prior to the completion of this offering, supplement this code with corporate governance guidelines in accordance with the rules and regulations of the NYSE. Our code of ethics and conduct is available on our website.

PRINCIPAL SHAREHOLDERS

Whitney V, L.P. and Whitney Strategic Partners V, L.P. (together with certain affiliated investment funds) and CCG Investments (BVI), L.P. (together with certain of its co-investment funds), as well as selected members of our distributor organization and our management are the owners of all of the outstanding capital stock of Herbalife. The address for Whitney V, L.P. and Whitney Strategic Partners V, L.P. is c/o Whitney & Co., LLC, 177 Broad Street, Stamford, Connecticut 06901. The address for CCG Investments (BVI), L.P. is c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 33rd Floor, San Francisco, California 94111.

Herbalife's outstanding securities, as of June 30, 2004, consisted of 104.2 million common shares, par value $0.001 per share, each share being entitled to one vote on matters submitted to shareholders' vote.

Management participates in our equity through option grants by Herbalife under a stock incentive plan. See "Certain Relationships and Related Transactions—Certain Transactions Relating to Herbalife—WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan."

The following table shows the beneficial ownership of common shares of Herbalife as of June 30, 2004, and thus the indirect beneficial ownership of the equity interest of Herbalife International as of that date, (1) each of Herbalife's and Herbalife International's directors, (2) each of our five mostly highly compensated executive officers, (3) all directors and executive officers as a group and (4) each person or entity known to Herbalife to beneficially own more than five percent (5%) of the outstanding common shares of Herbalife.

For purposes of this table, information as to the number and percentage of shares beneficially owned is calculated based on the number of common shares outstanding as of June 30, 2004.

Name and address of beneficial owner	Beneficial Ownership of Herbalife — Number of Shares Beneficially Owned Prior to this Offering — Number	%
Whitney V, L.P.**	52,032,570	50.0%
Whitney Strategic Partners V, L.P.**	456,460	*
Whitney Private Debt Fund, L.P.**	805,585	*
Green River Offshore Fund**	85,929	*
Total	**53,380,544**	**51.3%**
CCG Investments (BVI), L.P.***	26,454,793	25.4%
CCG Associates—QP, LLC***	1,329,857	1.3%
CCG Associates—AI, LLC***	123,654	*
CCG Investment Fund—AI, LP***	354,406	*
CCG AV, LLC—Series C***	872,712	*
CCG AV, LLC—Series E***	708,836	*
CCG CI***	452,484	*
Total	**30,296,742**	**29.1%**
Peter M. Castleman(2)**	53,380,544	51.3%
James H. Fordyce**	0	*
Jesse T. Rogers(3)***	30,296,742	29.1%
Kenneth J. Diekroeger(3)***	30,296,742	29.1%
Leslie Stanford(4)****	2,582,955	2.5%
Markus Lehman****	1,105,682	1.1%
Charles L. Orr(5)****	54,205	*
Henry Burdick(6)****	1,312,181	1.3%
Michael O. Johnson(7)****	1,740,701	1.7%
Brian L. Kane(8)****	1,008,641	*
Gregory Probert(9)****	250,000	*
David Kratochvil(10)****	133,409	*
John B. Purdy(11)****	155,000	*
Robert Levy(12)****	133,409	*
All Directors and Executive Officers as a Group (18 persons)		
Total	**92,153,469**	**85.6%**

* Less than 1%.

** c/o Whitney & Co., LLC, 177 Broad Street, Stamford, Connecticut 06901.

*** c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 33rd Floor, San Francisco, California 94111.

**** c/o Herbalife International, Inc., 1800 Century Park East, Los Angeles, California 90067.

(1) Applicable percentage of ownership as of June 30, 2004 is based upon 104,164,038 common shares outstanding, and the relevant number of shares of common stock issuable upon exercise of stock options which are exercisable presently or within 60 days. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their common shares,

except to the extent authority is shared by spouses under applicable law and to the extent provided in the shareholders' agreement. See "Certain Relationships and Related Transactions—Certain Transactions Relating to Herbalife—Shareholders' Agreement." Pursuant to the rules of the Securities and Exchange Commission, the number of common shares deemed outstanding includes shares issuable pursuant to options or warrants held by the respective person or group which may be exercised within 60 days of June 30, 2004.

(2) Represents shares beneficially owned by Whitney V, L.P., Whitney Strategic Partners V, L.P., Whitney Private Debt Fund, L.P. and Green River Offshore Fund. Mr. Castleman is a managing member of the entities that are the general partners of Whitney V, L.P., Whitney Strategic Partners V, L.P., and Whitney Private Debt Fund, L.P., and accordingly he may be deemed to share beneficial ownership of such shares as well as the shares owned by Green River Offshore Fund. Mr. Castleman disclaims beneficial ownership of all shares owned by Whitney V, L.P., Whitney Strategic Partners V, L.P., Whitney Private Debt Fund, L.P. and Green River Offshore Fund, except to the extent of his pecuniary interest in each such entity.

(3) Represents shares beneficially owned by CCG Investments (BVI), L.P., CCG Associates—QP, LLC, CCG Associates—AI, LLC, CCG Investment Fund—AI, LP, CCG AV, LLC—Series C, CCG AV, LLC- Series E and CCG CI, LLC, the "Golden Gate Entities." Messrs. Rogers and Diekroeger are managing members of the entities that are general partners of the Golden Gate Entities. Accordingly, they may be deemed to share beneficial ownership of such shares. Each of Messrs. Rogers and Diekroeger disclaim beneficial ownership of all shares owned by the Golden Gate Entities, except to the extent of his pecuniary interest in the Golden Gate Entities.

(4) Represents shares beneficially owned by Leslie Stanford though Blueline Capital, LLC.

(5) Mr. Orr was granted 50,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 50,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 40,000 are exercisable within 60 days of June 30, 2004.

(6) Mr. Burdick was granted 50,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 50,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 40,000 are exercisable within 60 days of June 30, 2004. In addition, the Board granted Mr. Burdick options to purchase 300,000 common shares of Herbalife at a strike price of $0.44 and options to purchase 300,000 common shares of Herbalife at a strike price of $1.76. These 600,000 options have vested and are exercisable within 60 days of June 30, 2004. Mr. Burdick was granted an additional 80,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share, 80,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, 80,000 options to purchase common shares of Herbalife at an exercise price of $5.28 per share 80,000 options to purchase common shares of Herbalife at an exercise price of $8.80 per share 80,000 options to purchase common shares of Herbalife at an exercise price of $12.32 per share, of which 104,000 are exercisable within 60 days of June 30, 2004.

(7) Mr. Johnson was granted 1,182,369 options to purchase common shares of Herbalife at an exercise price of $0.44 per share, 1,182,369 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, 1,182,369 options to purchase common shares of Herbalife at an exercise price of $5.28 per share 1,182,369 options to purchase common shares of Herbalife at an exercise price of $8.80 per share and 1,182,369 options to purchase common shares of Herbalife at an exercise price of $12.32 per share, of which 1,537,081 are exercisable within 60 days of June 30, 2004.

(8) Mr. Kane was granted 1,207,583 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 603,792 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 724,550 are exercisable within 60 days of June 30, 2004.

(9) Mr. Probert was granted 250,000 options to purchase common shares of Herbalife at an exercise price of $2.50 per share, 150,000 options to purchase common shares of Herbalife at an exercise price of $3.50 per share, 150,000 options to purchase common shares of Herbalife at an exercise price of $5.50 per share, 150,000 options to purchase common shares of Herbalife at an exercise price of $8.50 per share, and 150,000 options to purchase common shares of Herbalife at an exercise price of $11.50 per share, of which 250,000 are exercisable within 60 days of June 30, 2004.

(10) Mr. Kratochvil was granted 150,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 150,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 105,000 are exercisable within 60 days of June 30, 2004.

(11) Mr. Purdy was granted 150,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 150,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 105,000 are exercisable within 60 days of June 30, 2004.

(12) Mr. Levy was granted 150,000 options to purchase common shares of Herbalife at an exercise price of $0.44 per share and 150,000 options to purchase common shares of Herbalife at an exercise price of $1.76 per share, of which 105,000 are exercisable within 60 days of June 30, 2004.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Redemption of Preferred Shares

A portion of the proceeds from the offering of the 9$^{1}/2$% Notes was applied to pay the original issue price for all of our outstanding 12% Series A Cumulative Convertible Preferred Shares (the "Preferred Shares"). To permit us to convert the Preferred Shares, we amended our charter documents to permit our board of directors to elect to convert all of the outstanding Preferred Shares into the right to receive a cash payment, for each Preferred Share converted, equal to the original issue price for the Preferred Shares ($1.76 per share), and all accrued and unpaid dividends, plus one common share of the Company. In connection with the consummation of this repurchase, all of the 2.0 million outstanding warrants to purchase our Preferred Shares were exercised in exchange for our Preferred Shares, and all of our Preferred Shares (including the Preferred Shares issuable upon the exercise of the warrants) were then converted into an aggregate of approximately 104.1 million of our common shares.

All of the outstanding Preferred Shares, immediately prior to their conversion into common shares, were held by the Equity Sponsors and their affiliates, certain members of our management, and selected distributors. In addition, affiliates of the Equity Sponsors and GarMark Partners, L.P. ("GarMark") held warrants to purchase an aggregate of 2,040,816 of the Preferred Shares. These parties held certain rights that may have presented an actual or potential conflict of interest in connection with our proposal to convert the Preferred Shares.

Certain Equity Sponsors (and/or their affiliates) and the selected distributors holding Preferred Shares were and are parties to a shareholders' agreement pursuant to which they have certain rights to determine the composition of our board of directors. See "—Shareholders' Agreement."

In addition, an affiliate of Whitney, one of the Equity Sponsors, was a party to a securities purchase agreement providing that affiliate with the right to designate one observer to our board of directors to attend each meeting of the board and each meeting of the committees of the board for so long as that party holds at least $10 million of our 15.5% senior notes (the "Senior Notes") (subject to certain exceptions). We purchased all of the Senior Notes on March 8, 2004. See "—Purchase of Senior Notes."

Purchase of Senior Notes

A portion of the proceeds from the offering of the 9$^{1}/2$% Notes was applied to purchase our Senior Notes (face value $38.0 million) at a negotiated price.

All of the Senior Notes, immediately prior to the closing of their repurchase, were held by GarMark, Whitney Private Debt Fund, L.P. ("Whitney Private Debt"), and Green River Offshore Fund Ltd. ("Green River"). Whitney Private Debt and Green River are affiliates of Whitney. GarMark purchased $23 million in principal amount of the Senior Notes and received Warrants for 1,235,231 of the Preferred Shares and Whitney Private Debt purchased $15 million in principal amount of the Senior Notes and received warrants for 805,585 of the Preferred Shares on July 31, 2002 pursuant to a Securities Purchase Agreement (the "Securities Purchase Agreement") among Herbalife, as issuer, and GarMark and Whitney Private Debt, as purchasers. On November 27, 2002, Green River purchased $1.6 million in principal amount of the Senior Notes from GarMark and received Warrants for 85,929 of the Preferred Shares from GarMark.

The holders of the Senior Notes held certain rights that may have presented an actual or potential conflict of interest in connection with our proposal to purchase the Senior Notes. The Securities Purchase Agreement provided that each holder of $10 million or more of the Senior Notes (subject to certain exceptions) could designate one observer to our board of directors to attend each meeting of the Board and each meeting of the committees of the board. Each of Whitney Private Debt and GarMark held $10 million or more of the Senior Notes. In addition, certain affiliates of Whitney were and are parties to a shareholders' agreement with certain of our other shareholders pursuant to which Whitney V, L.P., an affiliate of Whitney, is permitted to nominate four individuals to our board of directors, and two additional nominees to our board must be acceptable to Whitney V, L.P. and CCG Investments (BVI), L.P., an affiliate of Golden Gate Private Equity, Inc. This agreement will terminate upon the consummation of this offering.

On February 3, 2004, the board of directors approved the offering of the $9^{1}/2\%$ Notes, the repurchase of our Senior Notes and the related transactions, subject to development of the final terms and the approval of those terms by a Special Offering Committee of the board of directors established to determine and approve on our behalf the final terms of the $9^{1}/2\%$ Notes and the related transactions. During that portion of the meeting relating to the discussion and approval of the purchase of the Senior Notes (a portion of which are owned by Whitney and its affiliates), Messrs. Peter M. Castleman, James H. Fordyce, John C. Hockin and Steven E. Rodgers, members of our board of directors at the time of the offering of the $9^{1}/2\%$ Notes who are also partners of Whitney and various of its affiliates, abstained from the discussion and vote. The remaining members of the board, after considering relevant factors, determined that the purchase of our Senior Notes was desirable and in the best interests of the Company, and approved the purchase of the Senior Notes at such price and on such terms as the Special Offering Committee deemed appropriate in connection with the sale of the $9^{1}/2\%$ Notes.

On March 3, 2004, the Special Offering Committee approved the final terms of the $9^{1}/2\%$ Notes and the related transactions, with those of its members who are affiliated with Whitney abstaining from the discussion and vote concerning the purchase of the Senior Notes.

Certain Transactions Relating to Herbalife

Transactions in securities

Selected members of our distributor organization and senior management have purchased, either from us or from the Equity Sponsors, our Preferred Shares. The price paid by participating members of our distributor organization and senior management to the Equity Sponsors in the August and October 31, 2002 offering was $1.76 per share. In connection with the January 31, 2003 offering to members of our President's Team by the Equity Sponsors, the price paid by distributors to the Equity Sponsors was $1.97 per share. In connection with the May 30, 2003, offering by the Equity Sponsors to members of our President's Team and by us to members of our Chairman's Club, the price paid by members of our President's Team to the Equity Sponsors and by members of our Chairman's Club to us was $2.21 per share. Michael O. Johnson, our Chief Executive Officer, purchased from us 203,620 shares on June 24, 2003. The price paid by Mr. Johnson was the same price paid by members of our distributor organization in the May 30th offering.

In connection with a separation and general release agreement with Mr. Francis X. Tirelli effective December 24, 2002, the Equity Sponsors repurchased 284,091 Preferred Shares held by Mr. Tirelli at a purchase price of $1.78 per share.

Share purchase agreement

Certain Equity Sponsors (and/or their affiliates) were and are parties to a Share Purchase Agreement (the "Share Purchase Agreement") pursuant to which they originally purchased our Preferred Shares. Under the terms of the Share Purchase Agreement, the Equity Sponsors can, subject to approval by our board of directors and 75% of our shareholders, require us to pay a dividend to all of our shareholders related to certain income that may be taxable to them resulting from their ownership of our shares. We have recently completed our analysis with regard to this potential payment and based on this analysis, we may be required to make a $1.4 million payment to our shareholders related to certain income that may be taxable to them for the year ended December 31, 2003. In addition, we may be required to make a payment to our shareholders related to certain income that may be taxable to them for the year ended December 31, 2004. We have not yet determined the amount, if any, that could be payable in connection with the 2004 taxes. Both amounts would become distributable to the shareholders if and when the board of directors and 75% of our shareholders approve the payment of these amounts. As of the date of this filing, our board of directors has not made a determination to make these distributions. If and when such a determination is made, these amounts will be recorded as dividends.

Registration rights agreement

Members of our distributor organization holding our equity securities are also party to a registration rights agreement between the Equity Sponsors and Herbalife (the "Herbalife registration rights agreement"). Under this registration rights agreement, the Equity Sponsors have unlimited "demand" registration rights permitting them to cause us, subject to certain restrictions, to register certain equity securities and to participate in registrations by us of our equity securities, subject to certain restrictions. Upon an initial public offering, if the Equity Sponsors shall include their shares for registration, the other shareholders may also participate pro rata. If, however, the Equity Sponsors do not include their shares for registration, the other shareholders may not participate in the offering as selling shareholders.

In addition to an initial public offering, if we at any time propose to register any of our securities under the Securities Act for sale to the public, in certain circumstances holders of Preferred Shares or common shares issued upon conversion of the Preferred Shares (including distributor shareholders) may require us to include their shares in the securities to be covered by the registration statement. Such registration rights are subject to customary limitations specified in the Herbalife registration rights agreement.

Indemnity agreement

In connection with the purchase of Preferred Shares, Herbalife and WH Acquisition Corp. entered into an indemnity agreement with the Equity Sponsors pursuant to which Herbalife and Herbalife International (as successor-in-interest to WH Acquisition Corp.) agreed to indemnify the Equity Sponsors for losses and claims resulting from, arising out of or any way related to the Acquisition, including existing litigation. Whitney had been sued in San Francisco by Rosemont Associates and Joseph Urso for $20 million in a suit alleging breach of contract, breach of covenants of good faith and fair dealing, *quantum meruit* and other causes of action arising out of the sale of Herbalife International to Whitney and others. This lawsuit was settled for an undisclosed sum that is not material to us or our financial condition.

Agreements with the Equity Sponsors

In connection with the Acquisition, we entered into various agreements with the Equity Sponsors. Pursuant to the monitoring fee agreements entered into in connection with the Acquisition, Whitney and GGC Administration, LLC, an affiliate of CCG Investments (BVI), L.P., conduct certain activities related to such parties' and its affiliates' investments in Herbalife. These activities include activities related to the general management of Herbalife and its subsidiaries, identification and analysis of potential acquisitions and dispositions by Herbalife and its subsidiaries, support, negotiation and analysis of financing alternatives for Herbalife and its subsidiaries, and other activities necessary or advisable with respect to the monitoring of Herbalife.

In consideration of these services, Herbalife International pays to Whitney and GGC Administration, LLC, quarterly, fees for monitoring services rendered (determined on an hourly basis), and such obligations are guaranteed by us. Such monitoring fees are currently being paid quarterly at a rate of $5.0 million per annum, divided between Whitney and GGC Administration, LLC at a ratio of 65% to 35%, respectively. Herbalife International also agreed to reimburse Whitney and GGC Administration, LLC for their reasonable out-of-pocket expenses and to pay additional transaction fees to them in the event Herbalife and/or any of its subsidiaries completes add-on acquisitions, divestitures, a transaction resulting in a change of control (as defined therein) or financing involving Herbalife and/or any of its subsidiaries, and that such obligations shall be guaranteed by Herbalife. In fiscal 2003, Herbalife International reimbursed Whitney and GGC Administration, LLC approximately $3.1 million for their reasonable out-of-pocket expenses incurred since the date of the Acquisition through the payment date which were invoiced during fiscal 2003. We currently anticipate that we will engage in discussions with the

Equity Sponsors concerning the termination of these agreements prior to the consummation of this offering. We do not anticipate that these agreements will remain in place subsequent to this offering.

We have also agreed to provide customary joint and several indemnification to Whitney and GGC Administration, LLC. See "—Indemnity Agreement."

WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan

We have established a stock incentive plan that provides for the grant of options to purchase our common shares and stock appreciation rights to employees and consultants of Herbalife International. The incentive plan is administered by a committee appointed by the board of directors of Herbalife. In addition, we intend to establish a new 2004 Stock Incentive Plan prior to the consummation of this offering that will provide for grants of awards to our directors, officers, employees and consultants. See "—Description of Benefit Plans" and "—Employment Contracts."

WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan

We have established an independent directors stock option plan that provides for the grant of options to purchase our common shares to our independent directors. Directors who are our employees or any of our affiliates or have been designated as directors by our affiliates or our distributors are not independent directors for purposes of director compensation. We have granted options to Henry Burdick and Charles Orr under this plan.

Special Cash Dividend

We intend to use a portion of the net proceeds from this offering and the Transactions to pay a $200.0 million special cash dividend to our current shareholders. This dividend will be paid on a pro rata basis to our current shareholders. Assuming no exercise of outstanding options, Whitney and Golden Gate will receive approximately and , respectively, based on the number of shares they beneficially own. See "Principal Shareholders". If outstanding options are exercised prior to the consummation of this offering, then Whitney and Golden Gate will receive approximately and , respectively.

All agreements between Herbalife and related parties that will remain in effect upon the consummation of this offering are on terms as favorable as could have been obtained from unrelated third parties.

DESCRIPTION OF SHARE CAPITAL

The following description of our share capital is based on our amended and restated memorandum and articles of association, which we intend to adopt immediately prior to the closing of this offering following a shareholders' meeting that we intend to hold in the fourth quarter to seek approval of the amendments set forth therein (assuming that the amended and restated memorandum and articles of association is approved by our shareholders). Throughout this description, we refer to our amended and restated memorandum and articles of association as simply our memorandum and articles of association. Our authorized share capital consists of 500,000,000 common shares and 7,500,000 preference shares, each with a par value of $.001 per share. Upon completion of this offering, we will have outstanding common shares, assuming that there are no exercises of outstanding options after .

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association, the Companies Law (2004 Revision) and the common law of the Cayman Islands. The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. Complete copies of our memorandum and articles of association are filed as exhibits to our public filings.

Common Shares

General. All the issued and outstanding common shares are fully paid and nonassessable. Certificates representing the common shares are issued in registered form. The common shares are issued when registered in the register of shareholders of Herbalife. The common shares are not entitled to any sinking fund or pre-emptive or redemption rights. Our shareholders may freely hold and vote their shares.

Voting Rights. Each common share is entitled to one vote on all matters upon which the common shares are entitled to vote, including the election of directors. Voting at any meeting of shareholders is by a poll. Our articles of association do not provide for actions by written consent of shareholders.

The required quorum for a meeting of our shareholders consists of a number of shareholders present in person or by proxy and entitled to vote that represents the holders of not less than a majority of our issued voting share capital. We will hold an annual general meeting of shareholders at such time and place as the Board of Directors may determine. In addition, the Board of Directors may convene a general meeting of shareholders at any time upon five days' notice. Further, general meetings (other than the annual general meeting) may also be convened upon written requisition of shareholders holding in aggregate 30% or more of issued voting share capital, which requisition must state the object for the general meeting.

Subject to the quorum requirements referred to in the paragraph above, any ordinary resolution to be made by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the common shares cast in a general meeting of the Company, while a special resolution requires the affirmative vote of $66^{2}/3\%$ of the votes cast attaching to the common shares. A special resolution is required for matters such as a change of name, amending our memorandum and articles of association and placing us into voluntary liquidation. Holders of common shares, which are currently the only shares carrying the right to vote at our general meetings, have the power, among other things, to elect directors, ratify the appointment of auditors and make changes in the amount of our authorized share capital. To the extent that the Equity Sponsors' ownership of our common shares is less than $66^{2}/3\%$, the Equity Sponsors will not be able to unilaterally approve corporate actions that require special resolutions.

Dividends. The holders of our common shares are entitled to receive such dividends as may be declared by our board of directors. Dividends may be paid only out of profits, which include net earnings and retained earnings undistributed in prior years, and out of share premium, a concept analogous to paid-in surplus in the United States, subject to a statutory solvency test.

Liquidation. If we are to be liquidated, the liquidator may, with the approval of the shareholders, divide among the shareholders in cash or in kind the whole or any part of our assets, may determine how such division shall be carried out as between the shareholders or different classes of shareholders, and may vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator, with the approval of the shareholders, sees fit, provided that a shareholder shall not be compelled to accept any shares or other assets which would subject the shareholder to liability.

Miscellaneous. Share certificates registered in the names of two or more persons are deliverable to any one of them named in the share register, and if two or more such persons tender a vote, the vote of the person whose name first appears in the share register will be accepted to the exclusion of any other.

Anti-Takeover Provisions

General. Our articles of associations have provisions that could have an anti-takeover effect. These provisions are intended to enhance the ability of the board of directors to deal with unsolicited takeover attempts by increasing the likelihood of continuity and stability in the composition of the board of directors. These provisions could have the effect of discouraging transactions that may involve an actual or threatened change of control of Herbalife.

Classified Board. The articles provide that our board of directors will be divided into three classes serving staggered three-year terms. The board of directors does not have the power to remove directors. Vacancies on the board of directors may be filled only by the remaining directors and not by the shareholders. These provisions could have the effect of precluding an acquiror from removing incumbent directors and simultaneously gaining control of the board of directors by filling the vacancies created by the removal of directors with its own nominees, unless the acquiror controls at least two-thirds of the combined voting power of the common shares (the percentage necessary to adopt a special resolution to amend these provisions). This could result in delaying a shareholder from obtaining majority representation on the board of directors.

Number of Directors. The articles provide that the board of directors will consist of not less than one director or more than fifteen directors, the exact number to be set from time to time by a majority of the whole board of directors. Accordingly, the board of directors, and not the shareholders, has the authority to determine the number of directors and could delay any shareholder from obtaining majority representation on the board of directors by enlarging the board of directors and filling the new vacancies with its own nominees until a general meeting at which directors are to be appointed.

Advance Notice Provisions. The articles establish an advance notice procedure that must be followed by shareholders if they wish to nominate candidates for election as directors at an annual general meeting of shareholders or to submit a proposal for consideration at a general meeting of shareholders. The articles provide generally that, if you desire to nominate a candidate for election as a director at an annual general meeting or to submit a proposal for consideration at a general meeting of shareholders (including an annual general meeting), you must give us notice not earlier than the 150th day prior to such general meeting and not later than the 90th day prior to such general meeting or the 10th day following the day on which public announcement is first made of the date of the general meeting.

Action Only by General Meeting and not by Written Consent. Subject to the terms of any other class of shares in issue, any action required or permitted to be taken by the holders of common shares must be taken at a duly called annual or extraordinary general meeting of shareholders and not by written consent of the holders of the common shares. General meetings may be called by the board or upon written requisition of shareholders holding in aggregate, 30% or more of issued voting capital, which requisition must state the objects for the general meeting.

Undesignated Preference Shares Pursuant to our articles of association, our board of directors has the authority, without further action by the shareholders, to issue up to 7.5 million preference shares in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common shares. Our board of directors, without shareholder approval, may issue preference shares with voting, conversion or other rights that could adversely affect the voting power and other rights of holders of our common shares. Subject to the directors' duty of acting in the best interest of Herbalife, preference shares can be issued quickly with terms calculated to delay or prevent a change in control of us or make removal of management more difficult. Additionally, the issuance of preference shares may have the effect of decreasing the market price of the common shares, and may adversely affect the voting and other rights of the holders of common shares. No preference shares have been issued and we have no present plans to issue any preference shares.

Restrictions on Business Combinations. As a Cayman Islands company, Herbalife is not subject to Section 203 of the Delaware General Corporation Law, which restricts business combinations with interested stockholders. However, Articles 107-113 of our articles contains provisions that largely mirror the intention of Section 203 and generally prohibit "business combinations" between Herbalife and an "interested shareholder." Specifically, "business combinations" between an "interested shareholder" and Herbalife are prohibited for a period of three years after the time the interested shareholder acquired its shares, unless:

- the business combination or the transaction resulting in the person becoming an interested shareholder is approved by the board of directors prior to the date the interested shareholder acquired Herbalife's shares;

- the interested shareholder acquired at least 85% of Herbalife's shares in the transaction in which it became an interested shareholder; or

- the business combination is approved by a majority of the board of directors and by the affirmative vote of disinterested shareholders holding at least two-thirds of the shares generally entitled to vote.

For purposes of this provision, "business combinations" is defined broadly to include mergers, consolidations of majority owned subsidiaries, sales or other dispositions of assets having an aggregate value in excess of 10% of the consolidated assets of Herbalife, and most transactions that would increase the interested shareholder's proportionate share ownership in Herbalife.

"Interested shareholder" is defined as a person who, together with any affiliates and/or associates of that person, beneficially owns, directly or indirectly, 15% or more of the issued voting shares of Herbalife.

Fair Price Provisions. Article 107 contains a "fair price" anti-takeover provision. This provision requires the approval of at least 80% of the voting shares before Herbalife may enter into certain "business combinations" with an "interested shareholder" unless:

- the business combination is approved by a majority of the disinterested members of the board of directors; or

- the aggregate amount of cash and the fair market value of the consideration other than cash to be received by the shareholders in the business combination meets certain specified threshold minimum standards;

and certain specified events have occurred or failed to occur, as applicable.

For purposes of the fair price provisions, "business combination" is broadly defined to include mergers and consolidations of Herbalife or its subsidiaries with an interested shareholder or any other person that is or would be an interested shareholder after such transaction; a sale, exchange or mortgage of assets having a fair market value of $1.0 million or more to an interested shareholder or any affiliate of an interested shareholder; the issuance or transfer of securities in Herbalife or its subsidiaries having a fair market value of $1.0 million or more to an interested shareholder or any affiliate of an interested shareholder; the adoption of a plan of liquidation or dissolution proposed by any interested shareholder or any affiliate of an interested shareholder; and any reclassification of securities or other transaction which has the effect, directly or indirectly, of increasing the number of shares beneficially owned by any interested shareholder or any affiliate of an interested shareholder. "Interested shareholder" is generally defined as a person who, together with any affiliates of that person, beneficially owns, directly or indirectly, 5% or more of the combined voting power of the then issued and outstanding shares of Herbalife.

Differences in Corporate Law

The Companies Law is modeled after that of England but does not follow recent United Kingdom statutory enactments and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. Cayman Islands law does not provide for mergers as that expression is understood under U.S. corporate law. While Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as a "scheme of arrangement," the procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a solvent Cayman Islands company must be approved at a shareholders' meeting by a majority of the company's shareholders who are present and voting (either in person or by proxy) at such meeting. The shares voted in favor of the scheme of arrangement must also represent at least 75% of the value of each class of the company's shareholders (excluding the shares owned by the parties to the scheme of arrangement) present and voting at the meeting. The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect creditors' interests. Furthermore, the court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

If the scheme of arrangement is approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of U.S. corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

In addition, if a third party purchases at least 90% of our outstanding shares pursuant to an offer within a four-month period of making such an offer, the purchaser may, during the following two months following expiration of the four-month period, require the holders of the remaining shares to transfer their shares on the same terms on which the purchaser acquired the first 90% of our outstanding shares. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Shareholders' Suits. Our Cayman Islands counsel is not aware of any reported class action or derivative action having been brought in a Cayman Islands court. In principle, we would normally be the proper plaintiff in any action brought on behalf of the company, and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or outside the scope of its corporate authority;
- the act complained of, although not acting outside the scope of its corporate authority, could be effected only if authorized by more than a simple majority vote;
- the individual rights of the plaintiff shareholder have been infringed or are about to be infringed; or
- those who control the company are perpetrating a "fraud on the minority."

Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except in the case of (a) any fraud or dishonesty of such director or officer, (b) such director's or officer's conscious, intentional or wilful breach of his obligation to act honestly, lawfully and in good faith with a view to the best interests of the Company, or (c) any claims or rights of action to recover any gain, personal profit, or other advantage to which the director or officer is not legally entitled.

We intend to enter into an indemnity agreement with each of our directors and officers to supplement the indemnification protection available under our articles of association. These indemnity agreements will generally provide that we will indemnify the parties thereto to the fullest extent permitted by law.

We also intend to maintain insurance to protect ourselves and our directors, officers, employees and agents against expenses, liabilities and losses incurred by such persons in connection with their services in the foregoing capacities.

The foregoing summaries are necessarily subject to the complete text of our articles of association and the indemnity agreements referred to above and are qualified in their entirety by reference thereto.

Inspection of Books and Records

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited consolidated financial statements.

Transfer Agent

U.S. Stock Transfer Corporation is the transfer agent for our common shares.

Listing

We expect to list our common shares on the New York Stock Exchange under the trading symbol "HLF".

Prohibited Sale of Securities under Cayman Islands Law

An exempted company such as us that is not listed on the Cayman Islands Stock Exchange is prohibited from making any invitations to the public in the Cayman Islands to subscribe for any of its securities.

DESCRIPTION OF MATERIAL INDEBTEDNESS

Our Existing Indebtedness

Existing Credit Facility

Upon the consummation of the Acquisition, Herbalife International entered into senior credit facilities with various lenders, including Whitney Private Debt Fund, L.P., and UBS AG, Stamford Branch as administrative agent. We will use a portion of the proceeds from this offering to repay all outstanding indebtedness under the existing senior credit facility.

Existing $11^{3}/4$% Notes

On June 27, 2002, WH Acquisition Corp. issued $165.0 million aggregate principal amount of $11^{3}/4$% senior subordinated notes due 2010. The $11^{3}/4$% Notes were initially purchased by UBS Warburg, LLC. The $11^{3}/4$% Notes were resold to various qualified institutional buyers and non-U.S. persons pursuant to Rule 144A and Rule 903 or Rule 904, respectively, under the Securities Act of 1933. Upon consummation of the merger of WH Acquisition Corp. with and into Herbalife International on July 31, 2002, Herbalife International assumed the obligations of WH Acquisition Corp. under the $11^{3}/4$% Notes. In September, 2003 Herbalife International repurchased $5 million aggregate principal amount of the notes.

In conjunction with this offering, we intend to commence an offer to purchase any and all of the existing $11^{3}/4$% Notes with the proceeds of this offering. The closing of the offer to purchase will be conditional upon the receipt, through the offer to purchase, of the existing $11^{3}/4$% Notes representing at least a majority of the aggregate principal amount of such notes and the closing of this offering. We intend to acquire or redeem all or a significant portion of the $11^{3}/4$% Notes through this offer.

Existing $9^{1}/2$% Notes

On March 8, 2004, Herbalife and WH Capital Corp. issued $275.0 million aggregate principal amount of $9^{1}/2$% notes due 2011. The $9^{1}/2$% Notes were initially purchased by UBS Investment Bank. The $9^{1}/2$% Notes were resold to various qualified institutional buyers and non-U.S. persons pursuant to Rule 144A and Rule 903 or Rule 904, respectively, under the Securities Act of 1933.

The $9^{1}/2$% Notes provide that, at any time on or prior to April 1, 2007, we may redeem up to 40% of the aggregate principal amount of the $9^{1}/2$% Notes at a redemption price of 109.50% of their principal amount, plus accrued interest, upon certain offerings of securities of Herbalife. We intend to redeem 40% of the $9^{1}/2$% Notes with the proceeds of this offering of our common shares.

Interest on the $9^{1}/2$% Notes is payable semi-annually in arrear on April 1 and October 1 of each year, and the notes mature on April 1, 2011. The $9^{1}/2$% Notes are the general unsecured obligations of Herbalife and WH Capital Corp., ranking equally with any of their existing and future senior indebtedness (other than Herbalife's guarantee of Herbalife International's obligations under its senior secured credit facilities, to which the $9^{1}/2$% Notes are contractually subordinated), and senior to all of their future subordinated indebtedness. The $9^{1}/2$% Notes are effectively subordinated to all existing and future indebtedness and other liabilities of Herbalife's subsidiaries (other than WH Capital Corp.).

Generally, the $9^{1}/2$% Notes are not guaranteed by any of our subsidiaries. Under certain circumstance specified in the indenture, however, our subsidiaries may be required to guarantee Herbalife's and WH Capital Corp.'s obligations under the $9^{1}/2$% Notes.

Herbalife and WH Capital Corp. have the option to redeem the notes, in whole or in part, at any time on or after April 1, 2008 at redemption prices declining ratably from 104.750% of their principal amount on April 1, 2008 to 100% of their principal amount on or after April 1, 2010, plus accrued interest. At any time on or prior to April 1, 2007, Herbalife and WH Capital Corp. may also redeem up to 40% of the aggregate principal amount of the $9^{1}/2$% Notes at a redemption price of 109.50% of their principal amount, plus accrued interest, upon certain offerings of securities of Herbalife. Upon a change of control, as defined in the indenture pursuant to which the $9^1/2$% Notes were issued, Herbalife and WH Capital Corp. are required to offer to purchase the $9^1/2$% Notes at a purchase price equal to 101% of their principal amount, plus accrued interest.

In addition, at any time and from time to time prior to April 1, 2008, we may redeem some or all of the $9^1/2$% Notes at a redemption price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date.

The indenture governing the $9^1/2$% Notes contains covenants that limits our and our subsidiaries' ability to, among other things:

- pay dividends, redeem share capital or capital stock and make other restricted payments and investments;
- incur additional debt or issue preferred shares;
- allow the imposition of dividend or other distribution restrictions on our subsidiaries;
- create liens on assets;
- engage in transactions with affiliates;
- guarantee other indebtedness of Herbalife; and
- merge, consolidate or sell all or substantially all of our assets and the assets of our subsidiaries.

New Senior Credit Facility

Concurrently with the closing of this offering, we intend to enter into a new $225.0 million senior secured credit facility with a syndicate of financial institutions, including affiliates of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book-managers.

We expect that the new senior credit facility will be comprised of a senior secured revolving credit facility with a total principal amount of up to $25.0 million, which we refer to as the new revolver, and a senior secured term loan facility in an aggregate principal amount of $200.0 million, which we refer to as the new term loan.

We expect that the new revolver and the new term loan will each have a -year maturity. We expect the new term loan to amortize at a per annum rate not to exceed %.

We expect that the new senior credit facility will have customary features similar to other credit facilities of this nature, including but not limited to:

Interest Rate and Fees. We expect that borrowings will bear interest, at our option, for the new revolver facility and the new term loan at either the eurodollar rate plus a margin of between % and % or the base rate plus a margin of between % and %.

We also expect the new revolver will provide payment to the lenders of a commitment fee on any unused commitments equal to % per annum.

Mandatory Prepayments. We expect that the new senior credit facility will require us to prepay loans outstanding thereunder with, subject to certain conditions and exceptions, the cash proceeds received by us from any loss, damage, destruction or condemnation of or any sale, transfer or other disposition of any assets, and the net cash proceeds from the incurrence of indebtedness by us.

Voluntary Prepayments. We expect that the new senior credit facility will provide for voluntary commitment reductions under the new revolver and prepayment of the new term loan, subject to certain conditions and restrictions.

Covenants. We expect that the new senior credit facility will require that we meet certain financial tests. We also expect that our new senior credit facility will contain customary covenants and restrictions, including, among others, limitations or prohibitions on declaring and paying dividends and other distributions, redeeming and repurchasing our other indebtedness, loans and investments, additional indebtedness, liens, asset sales and transactions with affiliates.

Guarantees. We expect that the new senior credit facility will be guaranteed on a senior secured basis by all of our direct and indirect wholly-owned domestic subsidiaries.

Collateral. We expect to give to the administrative agent on behalf of each lender a security interest in substantially all of our personal property including, without limitation, our intercompany debt, and the capital stock of our domestic subsidiaries.

Events of Default. We expect that our new senior credit facility will specify certain customary events of default.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common shares. Future sales of our common shares in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common shares in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Sale of Restricted Shares

Upon the closing of this offering, we will have outstanding an aggregate of approximately common shares. Of these shares, the common shares to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act. All remaining shares held by our shareholders were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if such shareholders qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

As a result of the lock-up agreements described below and the provisions of Rule 144, Rule 144(k) and Rule 701 under the Securities Act, our common shares (excluding the shares sold in this offering) will be available for sale in the public market as follows:

- shares will be eligible for sale on the date of this prospectus;
- shares will be eligible for sale upon the expiration of the lock-up agreements, as more particularly and except as described below, beginning 180 days after the date of this prospectus; and
- shares will be eligible for sale, upon the exercise of vested options, upon the expiration of the lock-up agreements, as more particularly and except as described below, beginning 180 days after the date of this prospectus.

Lock-up Agreements

Our shareholders, officers and directors have each signed a lock-up agreement which prevents him or her from selling any of our common shares or any securities convertible into or exercisable or exchangeable for our common shares for a period of not less than 180 days from the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters. This 180 day period may be extended if (i) during the last 17 days of the 180-day period we issue an earnings release or material news or a material event relating to us occurs; or (ii) prior to the expiration of the 180-day period, we announce that we will release earnings results during the 16- day period beginning on the last day of the 180-day period. The period of such extension will be 18 days, beginning on the issuance of the earnings release or the occurrence of the material news or material event. In addition, holders of outstanding options to acquire approximately of our common shares have entered into similar lock-up agreements with the underwriters. Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, may in their sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the 180-day period. When determining whether or not to release shares from the lock-up agreements, Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters will consider, among other factors, a shareholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. See "Underwriters."

Rule 144

In general, under Rule 144 of the Securities Act, beginning 90 days after the date of this prospectus a person deemed to be our "affiliate," or a person holding restricted shares who beneficially owns shares that were not acquired from us or any of our "affiliates" within the previous year, is entitled to sell within any three-month period a number of shares that does not exceed the greater of either 1% of the then outstanding amount of our common shares, or approximately shares immediately after this offering assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options, or the average weekly trading volume of our common shares on the New York Stock Exchange during the four calendar weeks preceding the filing with the Securities and Exchange Commission of a notice on Form 144 with respect to such sale. Sales under Rule 144 of the Securities Act are also subject to prescribed requirements relating to the manner of sale, notice and availability of current public information about us. However, if a person, or persons whose shares are aggregated, is not deemed to be our affiliate at any time during the 90 days immediately preceding the sale, he or she may sell his or her restricted shares under Rule 144(k) without regard to the limitations described above, if at least two years have elapsed since the later of the date the shares were acquired from us or any of our "affiliates."

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, any of our directors, employees, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or written employment agreement is eligible to resell such shares 90 days after the effective date of the offering in reliance on Rule 144 of the Securities Act, by complying with the applicable requirements of Rule 144 of the Securities Act other than the holding period conditions. On the date 90 days after the effective date of this offering, options to purchase approximately of our common shares will be vested and exercisable and upon exercise and after expiration of the lock-up restrictions described above, may be sold pursuant to Rule 701 of the Securities Act.

Stock Plans

We have filed with the SEC a registration statement on Form S-8 to register common shares issued or reserved for issuance under our option and employee stock purchase plans adopted prior to the date of this prospectus and expect to continue to register common shares that may be issued or reserved for issuance under our future option and employee stock purchase plans. Accordingly, shares registered under such registration statement will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or the lock-up restrictions described above.

Registration Rights

Members of our distributor organization holding our equity securities are also party to a registration rights agreement between the Equity Sponsors and Herbalife (the "Herbalife registration rights agreement"). Under this registration rights agreement, the Equity Sponsors have unlimited "demand" registration rights permitting them to cause us subject to certain restrictions to register certain equity securities and to participate in registrations by us of our equity securities subject to certain restrictions. Upon an initial public offering, if the Equity Sponsors shall include their shares for registration, the other shareholders may also participate pro rata. If, however, the Equity Sponsors do not include their shares for registration, the other shareholders may not participate in the offering as selling shareholders.

In addition to an initial public offering, if we at any time propose to register any of our securities under the Securities Act for sale to the public, in certain circumstances holders of Preferred Shares or common shares issued upon conversion of the Preferred Shares (including distributor shareholders) may require us to include their shares in the securities to be covered by the registration statement. Such registration rights are subject to customary limitations specified in the Herbalife registration rights agreement.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material U.S. federal income tax consequences, as of the date of this document, of the ownership of our common shares by beneficial owners that hold the common shares as capital assets and that are U.S. holders. As used herein, you are a U.S. holder if you are, for U.S. federal income tax purposes:

- a citizen or resident of the U.S.;
- a corporation or partnership created or organized in or under the laws of the U.S. or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (i) is subject to the supervision of a court within the U.S. and one or more U.S. persons control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, and regulations, rulings and judicial decisions thereunder as of the date of this document, and such authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. This summary does not represent a detailed description of the U.S. federal income tax consequences to you in light of your particular circumstances and prospective investors are urged to consult their tax advisors as to the tax consequences of an investment in our common shares, including the application to their particular situations of the tax considerations discussed below and the application of state, local, foreign or other federal tax laws. In addition, it does not represent a description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a trader in securities if you elect to use a mark-to-market method of accounting for your securities holdings;
- a financial institution;
- an insurance company;
- a tax-exempt organization;
- a person liable for alternative minimum tax;
- an investor in a pass through entity;
- a person holding common shares as part of a hedging, integrated or conversion transaction, constructive sale or straddle; or
- a person whose functional currency is not the U.S. dollar.

In particular, it does not represent a description of the U.S. federal income tax consequences applicable to you if you are a person owning, actually or constructively, 5% or more of our voting shares or 5% or more of the voting shares of any of our non-U.S. subsidiaries. Such holders are urged to consult their tax advisors as to the tax consequences of an investment in our common shares.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common shares, you are urged to consult your tax advisor.

Taxation of Dividends. The gross amount of distributions paid to you will generally be treated as foreign source dividend income to you if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Such income will be includible in your gross income on the day you actually or constructively receive it. Corporations that are U.S. holders will not be entitled to claim a dividends received deduction because we are not a U.S. corporation.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in your adjusted tax basis in the common shares (thereby increasing the amount of gain, or decreasing the amount of loss, you will recognize on a subsequent disposition of the shares), and the balance in excess of your adjusted basis will be taxed as capital gain recognized on a sale or exchange. We did not have current or accumulated earnings and profits for U.S. federal income tax purposes for our taxable period ended December 31, 2003. There can be no assurance that we will not have current or accumulated earnings and profits in future years.

U.S. holders who are individuals will not be eligible for reduced rates of taxation applicable to certain dividend income (currently a maximum rate of 15% on qualifying dividends) on distributions made from our current or accumulated earnings and profits if we are a foreign personal holding company in the taxable year in which such dividends are paid or in the preceding taxable year. As discussed below in "—Foreign Personal Holding Company," we believe we are not currently a foreign personal holding company.

If we make distributions before January 1, 2009 from our current or accumulated earnings and profits in years in which we are not a foreign personal holding company and were not a foreign personal holding company in the preceding year, U.S. holders who are individuals may be eligible for reduced rates of taxation applicable to dividend income so long as our shares are readily tradable on an established securities market in the United States. We believe that our common shares, which are to be listed on the New York Stock Exchange, will be readily tradable on an established securities market in the United States. There can be no assurance that our common shares will continue to be regularly tradable on an established securities market in later years (or that our shares will be readily tradable on an established securities market in any given year). Individuals that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of the trading status of our shares. Holders are urged to consult their tax advisors regarding the application of these rules given their particular circumstances.

Foreign Personal Holding Company. A foreign corporation will be classified as a foreign personal holding company, or FPHC, if:

- at any time during the corporation's taxable year, five or fewer individuals who are U.S. citizens or residents own, directly or indirectly (or by virtue of certain ownership attribution rules), more than 50% of the corporation's stock as determined by either voting power or value (we refer to this as the "shareholder test"); and

- the corporation receives at least 60% of its gross income, or 50% after the initial year of qualification, as adjusted, for the taxable year from certain passive sources (we refer to this as the "income test").

A shareholder, and in certain circumstances, an indirect shareholder, of an FPHC would be required, regardless of such shareholder's percentage ownership interest, to include in income as a dividend, its pro rata share of the undistributed foreign personal holding company income of the FPHC if the shareholder owned shares on the last day of the FPHC's taxable year or, if earlier, the last day on which the FPHC satisfied the shareholder test. Foreign personal holding company income is generally equal to taxable income with certain adjustments. In determining its undistributed foreign personal holding company income, a shareholder of an FPHC is required to include as a deemed dividend its pro rata share of any undistributed foreign personal holding company income of a subsidiary that is also an FPHC. In addition, a shareholder of an FPHC who acquired shares from a decedent would not receive a "stepped-up" basis in that stock. Instead, the shareholder would have a tax basis equal to the lower of the fair market value of the shares or the decedent's basis.

Currently we believe we do not meet the shareholder test. However, because we are a holding company and do not expect to generate operating income at the holding company level, we believe that our income generally will be passive income and, thus that we will satisfy the income test for the current year and will be treated as an FPHC if in any taxable year we satisfy the shareholder test. As discussed above under "—Taxation of Dividends," U.S. holders who are individuals will not be eligible for reduced rates of taxation on any dividends received from us prior to January 1, 2009, if we are an FPHC in the taxable year in which such dividends are paid or in the preceding taxable year.

It is possible that changes in our shareholder base could cause us to be classified as an FPHC in the future. If we were to be classified as an FPHC, and if you own 5% or more in value of our outstanding stock, you would be subject to special information reporting requirements.

Controlled Foreign Corporation

We believe that we are a "controlled foreign corporation" for federal income tax purposes and as such, shareholders who own 10% or more of the outstanding shares will be subject to special tax treatment. Any prospective shareholders who contemplate owning 10% or more of our outstanding shares are urged to consult with their tax advisors with respect to the special rules applicable to 10% shareholders of controlled foreign corporations.

Disposition of Common Shares. When you sell or otherwise dispose of your common shares in a taxable transaction you will recognize capital gain or loss in an amount equal to the difference between the amount you realize for the shares and your adjusted tax basis in them. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as U.S. source gain or loss.

Information Reporting and Backup Withholding. In general, unless you are an exempt recipient such as a corporation, information reporting will apply to dividends in respect of the common shares or the proceeds received on the sale, exchange or redemption of those common shares paid to you within the U.S. and, in some cases, outside of the U.S. Additionally, if you fail to provide your taxpayer identification number, or fail either to report in full dividend and interest income or to make certain certifications, you will be subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you furnish the required information to the Internal Revenue Service.

CAYMAN ISLANDS TAX CONSEQUENCES

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the common shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

You will not be subject to Cayman Islands taxation on payments of dividends or upon the repurchase by us of your common shares. In addition, you will not be subject to withholding tax on payments of dividends or distributions, including upon a return of capital, nor will gains derived from the disposal of common shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No Cayman Islands stamp duty will be payable by you in respect of the issue or transfer of common shares. However, an instrument transferring title to a common share, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

We have been incorporated under the laws of the Cayman Islands as an exempted company and, as such, obtained an undertaking in April, 2002, from the Governor in Council of the Cayman Islands substantially that, for a period of twenty years from the date of such undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profit or income or gains or appreciation shall apply to us and no such tax and no tax in the nature of estate duty or inheritance tax will be payable, either directly or by way of withholding, on our common shares.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling our common shares under the laws of their country of citizenship, residence or domicile.

UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have each agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Banc of America Securities LLC	
Citigroup Global Markets Inc.	
Credit Suisse First Boston LLC	
Total	

The underwriters are offering the common shares subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the common shares offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the common shares offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the common shares directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ a share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other underwriters or to certain dealers. After the initial offering of the common shares, the offering price and other selling terms may from time-to-time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional common shares at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the common shares offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional common shares as the number listed next to the underwriter's name in the preceding table bears to the total number of common shares listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be $345,000,000, the total underwriters' discounts and commissions would be $ and total proceeds to us would be $.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed five percent of the total number of common shares offered by them.

We and all of our directors, executive officers and holders and optionholders of our outstanding shares have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common shares or any securities convertible into or exercisable or exchangeable for common shares; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common shares

whether any transaction described above is to be settled by delivery of common shares or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any common shares or any security convertible into or exercisable or exchangeable for common shares.

The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;
- the issuance by us of common shares upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- transactions by any person other than us relating to common shares or other securities acquired in open market transactions after the completion of the offering of the shares; or
- transfers of shares as a gift or for no consideration; provided that each donee agrees to be subject to the restrictions described in the immediately preceding paragraph and no filing under Section 16 of the Exchange Act is required in connection with such transactions.

Notwithstanding the foregoing, if (i) during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs, or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the above restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In order to facilitate this offering of the common shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common shares. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in this offering. In addition, to stabilize the price of the common shares, the underwriters may bid for, and purchase, common shares in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common shares in this offering, if the syndicate repurchases previously distributed common shares to cover syndicate short positions or to stabilize the price of the common shares. Any of these activities may stabilize or maintain the market price of the common shares above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We have applied to have our common shares approved for quotation on the New York Stock Exchange under the trading symbol "HLF."

The underwriters, on the one hand, and we, on the other hand, have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

At our request, the underwriters have reserved for sale, at the initial offering price, up to shares offered in this prospectus for directors, officers, employees, business associates, and related persons of Herbalife. The number of common shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered in this prospectus.

From time to time, the underwriters and their affiliates have provided, and expect to provide in the future, investment banking, commercial banking and other financial services to us for which they have received and may continue to receive customary fees and commissions.

Pricing of the Offering

Prior to this offering, there has been no public market for the common shares. The initial public offering price will be determined by negotiations between us and Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the underwriters. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general, our sales, earnings and certain other financial operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the common shares to be sold in this offering will be passed upon by Maples and Calder, Grand Cayman, Cayman Islands. Some legal matters in connection with this offering will be passed upon for us by Gibson, Dunn & Crutcher LLP, Los Angeles, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Los Angeles, California.

EXPERTS

The consolidated financial statements of WH Holdings (Cayman Islands) Ltd. as of December 31, 2003, and for the year then ended, have been included herein in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Herbalife International, Inc., the predecessor, for the year ended December 31, 2001 and the seven months ended July 31, 2002 and WH Holdings (Cayman Islands) Ltd., the successor, as of December 31, 2002 and for the five months ended December 31, 2002, included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and are so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may access and read our SEC filings, including the complete registration statement and all of the exhibits to it, through the SEC's web site (http://www.sec.gov). This site contains reports and other information that we file electronically with the SEC. The registration statement and other reports or information can be inspected, and copies may be obtained, at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Information on the operation of the Public Reference Room of the SEC may be obtained by calling the SEC at 1-800-SEC-0330.

We have filed with the SEC a registration statement on Form S-1, including exhibits, under the Securities Act of 1933 with respect to the common shares to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information in the registration statement or the exhibits. Statements made in this prospectus regarding the contents of any contract, agreement or other document are only summaries and are not necessarily complete. With respect to each contract, agreement or other document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved.

We intend to furnish our shareholders with annual reports containing consolidated financial statements audited by our independent auditors and to make available to our shareholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim condensed consolidated financial statements.

WH HOLDINGS (CAYMAN ISLANDS) LTD.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of WH Holdings (Cayman Islands) Ltd.:

We have audited the accompanying consolidated balance sheet of WH Holdings (Cayman Islands) Ltd. and subsidiaries as of December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WH Holdings (Cayman Islands) Ltd. and subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the year ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Los Angeles, California
February 19, 2004, except as to Note 17, which
is as of March 8, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of WH Holdings (Cayman Islands) Ltd.:

We have audited the accompanying consolidated balance sheet of WH Holdings (Cayman Islands) Ltd. and subsidiaries (the "Successor") as of December 31, 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the five-month period ended December 31, 2002. We have also audited the related consolidated statements of income, changes in shareholders' equity, and cash flows of Herbalife International, Inc. and subsidiaries (the "Predecessor"), a wholly owned subsidiary of the Successor, for the seven-month period ended July 31, 2002 and the year ended December 31, 2001. These financial statements are the responsibility of Successor and Predecessor management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Successor as of December 31, 2002, and the results of its operations and its cash flows for the five-month period ended December 31, 2002, and the results of operations of the Predecessor and its cash flows for the seven-month period ended July 31, 2002, and the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Los Angeles, California
February 19, 2004 (except for earning per share information
as to which the date is October 1, 2004)

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED BALANCE SHEETS

(as of December 31)

	2002	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 64,201,000	$ 150,679,000
Restricted cash	10,551,000	5,701,000
Marketable securities	1,272,000	—
Receivables, net of allowance for doubtful accounts of $2,527,000 (2003) and $3,257,000 (2002), including related party receivables of $323,000 (2003) and $506,000 (2002)	29,026,000	31,977,000
Inventories	56,868,000	59,397,000
Prepaid expenses and other current assets	16,081,000	20,825,000
Deferred income taxes	26,705,000	9,164,000
Total current assets	204,704,000	277,743,000
Property—at cost:		
Furniture and fixtures	5,144,000	6,137,000
Equipment	41,598,000	48,148,000
Leasehold improvements	7,045,000	8,733,000
	53,787,000	63,018,000
Less: accumulated depreciation and amortization	(7,675,000)	(17,607,000)
Net property	46,112,000	45,411,000
Deferred compensation plan assets	31,922,000	21,340,000
Other assets	5,327,000	5,795,000
Deferred financing costs, net of accumulated amortization of $10,266,000 (2003) and $3,564,000 (2002)	40,719,000	33,278,000
Marketing related intangibles	310,000,000	310,000,000
Distributor network, net of accumulated amortization of $26,539,000 (2003)	—	29,661,000
Product certifications, product formulas and other intangible assets, net of accumulated amortization of $9,491,000 (2003) and $1,542,000 (2002)	5,858,000	13,219,000
Goodwill	211,063,000	167,517,000
TOTAL	$ 855,705,000	$ 903,964,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 21,580,000	$ 22,526,000
Royalty overrides	69,062,000	76,522,000
Accrued compensation	22,443,000	19,127,000
Accrued expenses	47,341,000	59,669,000
Current portion of long term debt	19,160,000	72,377,000
Advance sales deposits	6,306,000	6,574,000
Income taxes payable	11,626,000	19,427,000
Total current liabilities	197,518,000	276,222,000
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion, including related party debt of $23.7 million (2003) and $23.2 million (2002)	321,599,000	252,917,000
Deferred compensation liability	32,082,000	22,442,000
Deferred income taxes	110,707,000	111,910,000
Other non-current liabilities	2,525,000	2,685,000
Total liabilities	664,431,000	666,176,000
SHAREHOLDERS' EQUITY:		
Preferred shares, $0.001 par value (aggregate liquidation preference $446,241,000 (2003), and $291,291,000 (2002)), 12% Series A Cumulative and Convertible, 106,000,000 (2003) and 103,000,000 (2002) shares authorized, 102,013,572 (2003) and 100,000,000 (2002) shares issued and outstanding	100,000	102,000
Common shares, $0.001 par value, 250,000,000 shares authorized, no shares issued and outstanding	—	—
Paid-in capital in excess of par value	177,308,000	183,407,000
Accumulated other comprehensive income (loss)	(139,000)	3,427,000
Retained earnings	14,005,000	50,852,000
Total shareholders' equity	191,274,000	237,788,000
TOTAL	$ 855,705,000	$ 903,964,000

See the accompanying Notes to Consolidated Financial Statements.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF INCOME

	2001	2002		2003
	Year ended December 31,	January 1 to July 31	August 1 to December 31	Year ended December 31,
	(predecessor)	(predecessor)	(successor)	(successor)
Product sales	$ 881,655,000	$ 554,693,000	$ 386,360,000	$ 995,120,000
Handling & freight income	138,475,000	89,495,000	63,164,000	164,313,000
Net sales	1,020,130,000	644,188,000	449,524,000	1,159,433,000
Cost of sales	241,522,000	140,553,000	95,001,000	235,785,000
Gross profit	778,608,000	503,635,000	354,523,000	923,648,000
Royalty overrides	355,225,000	227,233,000	159,915,000	415,351,000
Marketing, distribution & administrative expenses, including $8,400,000 (2003) and $2,200,000 (period from August 1 to December 31, 2002) of related party expenses	354,608,000	207,390,000	135,536,000	401,261,000
Acquisition transaction expenses	—	54,708,000	6,183,000	—
Operating Income	68,775,000	14,304,000	52,889,000	107,036,000
Interest expense (income)—net	(3,413,000)	(1,364,000)	23,898,000	41,468,000
Income before income taxes and minority interest	72,188,000	15,668,000	28,991,000	65,568,000
Income taxes	28,875,000	6,267,000	14,986,000	28,721,000
Net income before minority interest	43,313,000	9,401,000	14,005,000	36,847,000
Minority interest	725,000	189,000	—	—
NET INCOME	$ 42,588,000	$ 9,212,000	$ 14,005,000	$ 36,847,000
Earnings per share				
Basic	$ 1.40	$ 0.28		
Diluted	$ 1.36	$ 0.27	$ 0.14	$ 0.34
Weighted average shares outstanding				
Basic	30,422,000	32,387,000		
Diluted	31,250,000	33,800,000	102,041,000	106,891,000
Pro forma earnings per share (unaudited):				
Basic				
Diluted				
Pro forma weighted average shares outstanding (unaudited):				
Basic				
Diluted				

See the accompanying Notes to Consolidated Financial Statements.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Predecessor	Common Stock A	Common Stock B	Paid in Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Comprehensive Income
Balance at December 31, 2000	$ 102,000	$ 190,000	$ 58,860,000	$ (7,010,000)	$ 170,259,000	$ 222,401,000	
Issuance of 1,061,859 shares of Class A Common Stock and 1,298,965 Shares of Class B Common Stock under 1991 Stock Option Plan and other	10,000	13,000	17,434,000		10,000	17,467,000	
Additional capital from tax benefit of 1991 stock option plan			1,423,000			1,423,000	
Net income					42,588,000	42,588,000	$ 42,588,000
Translation adjustments				(6,817,000)		(6,817,000)	(6,817,000)
Unrealized gain on marketable securities				12,000		12,000	12,000
Cumulative effect on accounting change				909,000		909,000	909,000
Unrealized gain (loss) on derivatives				4,815,000		4,815,000	4,815,000
Reclassification adjustments for gain (loss) on derivative instruments				(3,440,000)		(3,440,000)	(3,440,000)
Total comprehensive income						—	$ 38,067,000
Cash dividends declared					(18,442,000)	(18,442,000)	
Balance at December 31, 2001	$ 112,000	$ 203,000	$ 77,717,000	$ (11,531,000)	$ 194,415,000	$ 260,916,000	
Issuance of 346,695 shares of Class A Common Stock and 1,139,237 Shares of Class B Common Stock under the 1991 Stock Option Plan and other	4,000	11,000	10,531,000			10,546,000	
Additional capital from revaluation of stock options			980,000			980,000	
Additional capital from tax benefit of 1991 stock option plan			3,042,000			3,042,000	
Other			375,000			375,000	
Net income					9,212,000	9,212,000	$ 9,212,000
Translation adjustments				1,428,000		1,428,000	1,428,000
Unrealized gain on marketable securities				14,000		14,000	14,000
Unrealized gain (loss) on derivatives				(3,338,000)		(3,338,000)	(3,338,000)
Reclassification adjustments for gain (loss) on derivative instruments				1,315,000		1,315,000	1,315,000
Total comprehensive income						—	$ 8,631,000
Cash dividends declared					(4,962,000)	(4,962,000)	
Balance at July 31, 2002	$ 116,000	$ 214,000	$ 92,645,000	$ (12,112,000)	$ 198,665,000	$ 279,528,000	

Successor	Preferred Stock	Paid in Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity	Comprehensive Income
Issuance of 100,000,000 Preferred Shares	$ 100,000	$ 175,508,000			$ 175,608,000	
Issuance of stock warrants (Note 4)		1,800,000			1,800,000	
Net income				$ 14,005,000	14,005,000	$ 14,005,000
Translation adjustments			$ 302,000		302,000	302,000
Unrealized gain on marketable securities			4,000		4,000	4,000
Unrealized gain (loss) on derivatives			2,266,000		2,266,000	2,266,000
Reclassification adjustments for gain (loss) on derivative instruments			(2,711,000)		(2,711,000)	(2,711,000)
Total comprehensive income						$ 13,866,000
Balance at December 31, 2002	$ 100,000	$ 177,308,000	$ (139,000)	$ 14,005,000	$ 191,274,000	
Issuance of 2,013,572 Preferred Shares	2,000	4,204,000			4,206,000	
Stock options		1,895,000			1,895,000	
Net income				36,847,000	36,847,000	$ 36,847,000
Translation adjustments			4,517,000		4,517,000	4,517,000
Unrealized gain on marketable securities			(4,000)		(4,000)	(4,000)
Unrealized gain (loss) on derivatives			(464,000)		(464,000)	(464,000)
Reclassification adjustments for gain (loss) on derivative instruments			(483,000)		(483,000)	(483,000)
Total comprehensive income						$ 40,413,000
Balance at December 31, 2003	$ 102,000	$ 183,407,000	$ 3,427,000	$ 50,852,000	$ 237,788,000	

See the accompanying Notes to Consolidated Financial Statements.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2001	2002		2003
	Year ended December 31,	January 1 to July 31	August 1 to December 31	Year ended December 31,
	(predecessor)	(predecessor)	(successor)	(successor)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 42,588,000	$ 9,212,000	$ 14,005,000	$ 36,847,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	18,056,000	11,722,000	11,424,000	55,605,000
Amortization of discount and deferred financing costs	—	—	3,651,000	7,039,000
Deferred income taxes	(3,036,000)	3,186,000	(16,981,000)	(12,160,000)
Unrealized foreign exchange loss	383,000	2,448,000	433,000	4,070,000
Loss on repurchase of senior subordinated notes	—	—	—	1,368,000
Minority interest in earnings	725,000	189,000	—	—
Other	515,000	2,338,000	(719,000)	3,072,000
Changes in operating assets and liabilities:				
Receivables	(3,867,000)	(11,712,000)	11,408,000	(481,000)
Inventories	24,154,000	11,462,000	3,576,000	592,000
Prepaid expenses and other current assets	(5,542,000)	(14,107,000)	9,972,000	(4,188,000)
Accounts payable	2,135,000	14,831,000	(12,132,000)	(821,000)
Royalty overrides	(8,206,000)	3,948,000	3,940,000	1,526,000
Accrued expenses and accrued compensation	15,557,000	1,895,000	(7,611,000)	5,045,000
Advance sales deposits	(163,000)	3,230,000	(3,277,000)	(454,000)
Income taxes payable	5,452,000	718,000	11,476,000	7,228,000
Deferred compensation liability	6,714,000	(1,459,000)	(1,126,000)	(9,640,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	95,465,000	37,901,000	28,039,000	94,648,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property	(10,940,000)	(4,741,000)	(2,190,000)	(13,601,000)
Proceeds from sale of property	145,000	191,000	46,000	53,000
Net change in restricted cash	—	—	(10,551,000)	4,850,000
Net changes in marketable securities	7,981,000	20,691,000	(2,000)	1,268,000
Other assets	(1,644,000)	(2,300,000)	(421,000)	(298,000)
Deferred compensation assets	(11,908,000)	5,154,000	6,145,000	10,582,000
Acquisition of Herbalife International, Inc. (net of cash acquired of $201,821,000)	—	—	(449,073,000)	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(16,366,000)	18,995,000	(456,046,000)	2,854,000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(18,094,000)	(9,682,000)	—	—
Distribution to minority interest	(1,272,000)	(4,598,000)	—	—
Borrowings from long-term debt	1,903,000	29,000	383,199,000	6,508,000
Principal payments on long-term debt	(3,460,000)	(3,799,000)	(51,069,000)	(23,864,000)
Repurchase of senior subordinated notes	—	—	—	(5,681,000)
Increase in deferred financing costs	—	(27,788,000)	(16,219,000)	—
Exercise of stock options	17,467,000	10,546,000	—	—
Issuance of preferred stock	—	—	175,608,000	4,206,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,456,000)	(35,292,000)	491,519,000	(18,831,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(6,742,000)	980,000	689,000	7,807,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	68,901,000	22,584,000	64,201,000	86,478,000
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	110,336,000	179,237,000	—	64,201,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 179,237,000	$ 201,821,000	$ 64,201,000	$ 150,679,000
CASH PAID DURING THE YEAR				
Interest paid	$ 1,079,000	$ 287,000	$ 5,814,000	$ 35,866,000
Income taxes paid	$ 28,693,000	$ 16,479,000	$ 10,986,000	$ 32,836,000
NON CASH ACTIVITIES				
Acquisitions of property from capital leases	$ 3,811,000	$ 2,058,000	$ 1,409,000	$ 6,834,000

See the accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

WH Holdings (Cayman Islands) Ltd., a Cayman Islands exempted limited liability company ("Herbalife"), incorporated on April 4, 2002, and its direct and indirect wholly owned subsidiaries, WH Intermediate WH Holdings (Cayman Islands) Ltd., a Cayman Islands company ("WH Intermediate"), WH Luxembourg Holdings S.à.R.L., a Luxembourg unipersonal limited liability company ("Lux Holdings"), WH Luxembourg Intermediate Herbalife S.à.R.L., a Luxembourg unipersonal limited liability company ("Lux Intermediate"), Herbalife International Luxembourg S.à.R.L. ("Herbalife Lux"), formerly known as WH Luxembourg CM S.à.R.L., a Luxembourg unipersonal limited liability company, and WH Acquisition Corp., a Nevada corporation ("WH Acquisition"), were formed on behalf of Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate"), in order to acquire Herbalife International, Inc., a Nevada corporation, and its subsidiaries ("Herbalife International" or "Predecessor") on July 31, 2002 (the "Acquisition"). Herbalife and its subsidiaries are referred to collectively herein as the Company. Herbalife's 12% Series A Cumulative Convertible Preferred Shares are referred to as "preferred shares" and Herbalife's Common Shares are referred to as "common shares."

On July 31, 2002, WH Acquisition merged with and into Herbalife International with Herbalife International being the surviving corporation. The Acquisition was consummated pursuant to the Agreement and Plan of Merger by and among the Company, sole shareholder of WH Intermediate and a Cayman Islands company, WH Acquisition and Herbalife International entered into on April 10, 2002 (the "Merger Agreement"). Each shareholder of Herbalife International received $19.50 in cash for each common share. The holders of each outstanding option to purchase Herbalife International common shares received an amount in cash equal to the excess of $19.50 over the exercise price of such option. As a result of the Acquisition, Herbalife International was delisted from the NASDAQ National Market. The shares of Herbalife International are no longer publicly traded and, therefore, earnings per share calculations are no longer included for financial statement presentations.

The Acquisition has been accounted for as a purchase in accordance with Statement of Financial Accounting Standards No. ("SFAS") 141, "Business Combinations." Accordingly, the acquired assets and liabilities have been recorded at fair value. Because of this, different bases of accounting have been used to prepare the Company and Predecessor consolidated financial statements. In the future, the primary differences are expected to relate to additional interest expense on the new debt, amortization of intangibles, and amortization of deferred financing costs recorded at the date of the Acquisition.

The Company completed the final allocation of the purchase price in connection with the Acquisition during 2003 based on an independent valuation study. The study was used as the basis to make the final determination of the values that should be allocated to various finite and indefinite lived intangible assets as well as goodwill. As a result of this completion of the purchase price allocation process, certain reclassifications were made to certain categories of intangible assets and goodwill that were previously identified on a preliminary basis as of December 31, 2002.

The total purchase price of approximately $651.5 million was allocated to the acquired assets and assumed liabilities based upon their respective fair value as of the closing date using valuations and other studies that have been finalized. The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of Acquisition:

	Final Allocation	Preliminary Allocation	Increase (Decrease)
		(in millions)	
Current assets	$ 388.7	$ 388.7	$ —
Property	52.0	52.0	—
Marketing related intangibles	310.0	310.0	—
Distributor network	56.2	—	56.2
Product formulas	15.5	—	15.5
Product certifications and other intangible assets	7.2	7.4	(0.2)
Goodwill	167.5	211.1	(43.6)
Other long-term assets	42.6	42.6	—
Total assets acquired	$ 1,039.7	$ 1,011.8	$ 27.9
Current liabilities	$ 209.4	$ 209.4	$ —
Other non-current liabilities	34.9	34.9	—
Long-term debt	1.2	1.2	—
Deferred income taxes	142.7	114.8	27.9
Total liabilities assumed	$ 388.2	$ 360.3	$ 27.9
Net assets acquired	$ 651.5	$ 651.5	$ —

Marketing related intangibles are considered to have an indefinite life and are not subject to amortization. Distributor network has an expected life of three years. Product formulas have an expected life of five years. Product certifications have an expected life of two years. None of the intangibles are expected to be deductible for tax purposes. As a result of the finalization of the purchase price allocation during the third quarter of 2003, the Company recorded additional amortization expense of $19.1 million before tax relating to periods prior to July 1, 2003. The Company recorded total amortization expense of $34.5 million before tax for 2003 and $1.5 million for the period from August 1 to December 31, 2002. In addition, the amounts for marketing franchise, trademark and trade name as of December 31, 2002 have been combined and are presented as marketing related intangibles above and in the accompanying balance sheet to conform to the current year presentation.

In connection with the Acquisition, the Predecessor incurred transaction expenses and stock option payments of approximately $54.7 million, which have been reflected in the Predecessor financial statements. The Company also incurred transaction expenses of approximately $6.2 million. In addition, the Company incurred debt issuance costs of approximately $44.3 million, which have been capitalized as deferred financing costs in the Company's consolidated balance sheet.

The following unaudited pro forma results for the years ended December 31, 2002 and 2001 are based on the historical financial statements of the Predecessor, adjusted to give effect to the Acquisition and related financing transactions as if the transactions had occurred at the beginning of each period presented:

	Year ended December 31	
	2002	2001
	(in millions)	
Net sales	$ 1,093.7	$ 1,020.1
Net income	$ 33.2	$ 7.7

The Acquisition was financed through:

- gross proceeds of $162.9 million from the sale of Senior Subordinated Notes (as defined in Note 4 herein) (face value of $165.0 million);
- borrowings of $180.0 million under the $205.0 million Senior Credit Facility (as defined in Note 4 herein);
- contributions of net proceeds of $24.0 million by Herbalife from the sale of its 15.5% Senior Notes (the "Senior Notes") (face value $38.0 million);
- contribution by Whitney, Golden Gate and selected members of Herbalife International's distributor organization and senior management of $176.0 million from the sale of 12% Series A Cumulative Convertible Preferred Shares of Herbalife (the "Preferred Shares") by Herbalife; and
- use of available cash balances of Herbalife International of approximately $217.1 million.

In connection with the Acquisition, Herbalife contributed the proceeds from the sale of the Preferred Shares and the sale of the Senior Notes, totaling $200.0 million, to WH Intermediate as capital. Immediately upon the consummation of the Acquisition, WH Intermediate assumed indirectly through one of its subsidiaries the liability of $7.2 million of expenses relating to the Acquisition and related financing transactions from Herbalife, resulting in a net capital contribution of $192.8 million.

2. Basis of Presentation

The Company's financial statements refer to Herbalife International and its subsidiaries for periods through July 31, 2002 and to Herbalife and its subsidiaries for periods subsequent to July 31, 2002. In addition, "Predecessor" refers to Herbalife International and its subsidiaries for periods through July 31, 2002 and "Successor" refers to Herbalife and its subsidiaries for periods subsequent to July 31, 2002. The Successor financial statement also includes interest expense and amortization of debt issuance costs incurred prior to the consummation of the Acquisition.

New Accounting Pronouncements

In December 2003, the SEC issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," which codifies, revises, and rescinds certain sections of SAB No. 101, "Revenue Recognition," in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on our consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 establishes standards on the classification and measurement of certain instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 requires the classification of any financial instruments with a mandatory redemption feature, an obligation to repurchase equity shares, or a conditional obligation based on the issuance of a variable number of its equity shares, as a liability. The adoption of SFAS 150 did not have a material effect on the consolidated financial statements.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," effective for contracts entered into or modified after June 30, 2003. This amendment clarifies when a contract meets the characteristics of a derivative, clarifies when a derivative contains a financing component, and amends certain other existing pronouncements. The adoption of SFAS 149 did not have a material effect on the consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51," which addresses consolidation by business enterprises of variable interest entities ("VIEs") either: (1) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) in which the equity investors lack an essential characteristic of a controlling financial interest. In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") resulting in multiple effective dates based on the nature as well as the creation date of the VIE. VIEs created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. VIEs created after January 1, 2004, must be accounted for under the Revised Interpretations. Special Purpose Entities ("SPEs") created prior to February 1, 2003 may be accounted for under the original or revised interpretation's provisions. Non-SPEs created prior to February 1, 2003, should be accounted for under the Revised Interpretation's provisions. The Revised Interpretations are effective for periods after June 15, 2003 for VIEs in which the Company holds a variable interest it acquired before February 1, 2003. For entities acquired or created before February 1, 2003, the Revised Interpretations are effective no later than the end of the first reporting period that ends after March 15, 2004, except for those VIEs that are considered to be special-purpose entities, for which the effective date is no later than the end of the first reporting period that ends after December 31, 2003. The adoption of FIN 46 and the Revised Interpretations has not and is not expected to have an impact on the consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The Company does not have any material guarantees that require disclosure under FIN 45.

FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. FIN 45 requires the guarantor to recognize a liability for the non-contingent component of a guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The initial recognition and measurement provisions are effective for all guarantees within the scope of FIN 45 issued or modified after December 31, 2002. The Company has adopted the disclosure requirements of FIN 45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002.

As noted above, the Company has adopted the disclosure requirements of FIN 45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. For the year ended December 31, 2003, the Company has not entered into any guarantees within the scope of FIN 45.

Significant Accounting Policies

Consolidation Policy

The consolidated financial statements for the period beginning August 1, 2002 include the accounts of Herbalife and its subsidiaries and the periods prior to August 1, 2002 include the accounts of Herbalife International and its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Translation of Foreign Currencies

Foreign subsidiaries' asset and liability accounts are translated for consolidated financial reporting purposes into U.S. dollar amounts at year-end exchange rates. Revenue and expense accounts are translated at the average rates during the year. Foreign exchange translation adjustments are included in accumulated other comprehensive income (loss) on the accompanying consolidated balance sheets. Transaction losses, which include the cost of forward exchange and option contracts, were $0.5 million, $0.4 million, $1.4 million, and $6.5 million for the year ended December 31, 2001, the seven months ended July 31, 2002, the five months ended December 31, 2002, and the year ended December 31, 2003, respectively, and are included in marketing, distribution and administrative expenses in the accompanying consolidated statement of income.

Forward Exchange Contracts and Option Contracts

The Company enters into forward exchange contracts and option contracts in managing its foreign exchange risk on sales to distributors, purchase commitments denominated in foreign currencies, intercompany transactions and bank loans. The Company also enters into interest rate caps in managing its interest rate risk on its variable rate term loan. The Company does not use the contracts for trading purposes.

The Company has adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended and interpreted, established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated as hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the underlying hedged item are recognized concurrently in earnings. If the derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the statement of operations when the hedged item affects earnings. SFAS 133 defined new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized concurrently in earnings.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are comprised primarily of money market accounts and foreign and domestic bank accounts. To reduce its credit risk, the Company monitors the credit standing of the financial institutions that hold the Company's cash and cash equivalents.

Restricted Cash

The Company's restricted cash pertains to a payment reserve account used to provide payment of scheduled interest and other amounts due on the Senior Notes until March 31, 2005. All amounts deposited are pledged to the Bank of New York as collateral agent for the benefit of the holders of the Senior Notes.

Marketable Securities

The Company's marketable securities are classified as "available for sale." Fluctuations in fair value are included in accumulated other comprehensive loss on the accompanying consolidated balance sheet. Marketable securities at December 31, 2002 are comprised primarily of tax-exempt municipal bonds.

Accounts Receivable

Accounts receivable consist principally of receivables from credit card companies, arising from the sale of product to the Company's distributors, and receivables from importers, who are utilized in a limited number of countries to sell products to distributors. Due to the geographic dispersion of its credit card receivables, the collection risk is not considered to be significant. Although receivables from importers can be significant, the Company performs ongoing credit evaluations of its importers and maintains an allowance for potential credit losses. The Company believes that it provides adequate allowances for receivables from its distributors.

Fair Value of Financial Instruments

The Company has estimated the fair value of its financial instruments using the following methods and assumptions:

- The carrying amounts of cash and cash equivalents, restricted cash, receivables, and accounts payable approximate fair value due to the short-term maturities of these instruments;
- Marketable securities are based on the quoted market prices for these instruments;
- Foreign exchange contracts are based on exchange rates at period end;
- The fair value of option and forward contracts are based on dealer quotes;
- The book values of the Company's variable rate debt instruments are considered to approximate their fair values because interest rates of those instruments approximate current rates offered to the Company; and
- The fair values for fixed rate borrowings have been determined based on recent market trade values.

Inventories

Inventories are stated at lower of cost (on the first-in, first-out basis) or market. The Company had reserves for obsolete and slow moving inventory totaling $8.4 million and $4.2 million as of December 31, 2002 and 2003, respectively.

Long-Lived Assets

Depreciation of furniture, fixtures, and equipment (including computer hardware and software) is computed on a straight-line basis over the estimated useful lives of the related assets, which range from three to five years. Leasehold improvements are amortized on a straight-line basis over the life of the related asset or the term of the lease, whichever is shorter.

Long-lived assets are reviewed for impairment, based on undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss is based on the estimated fair market value of the asset.

Goodwill and intangible assets with indefinite lives are evaluated on an annual basis for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite lives are amortized over their expected lives, which are three years for the distributor network, five years for product formulas and two years for product certifications. The annual amortization expense for intangibles is $0.2 million (2001), $1.5 million (2002), $34.5 million (2003), $23.9 million (2004), $14.0 million (2005), $3.1 million (2006), and $1.8 million (2007).

Income Taxes

Income tax expense includes income taxes payable for the current year and the change in deferred income tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. A valuation allowance is recognized to reduce the carrying value of deferred income tax assets if it is believed to be more likely than not that a component of the deferred income tax assets will not be realized.

Royalty Overrides

An independent distributor may earn commissions, called royalty overrides or production bonuses, based on retail volume. Such commissions are based on the retail sales volume of certain other members of the independent sales force who are sponsored by the distributor. In addition, such commissions are recorded when the products are shipped.

Research and Development

The Company's research and development is primarily performed by outside consultants and is less than $2 million per year. For all periods presented research and development costs are expensed as incurred.

Earnings Per Share

Basic earnings per share represents net income for the period common shares were outstanding, divided by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share represents net income divided by the weighted average number of shares outstanding, inclusive of the effect of dilutive securities.

The Company's preferred shares converted to common shares on March 8, 2004. from August 1, 2002 until the date of conversion, the Company did not have any outstanding common shares. Accordingly, no basic earnings per share information has been presented for those periods. Diluted earnings per share for these periods assumes the conversion of the preferred shares to common shares and includes the dilutive effect, if any, of outstanding stock options and warrants.

Periods after March 8, 2004 include basic earnings per share information that reflects common shares outstanding subsequent to the conversion. Diluted earnings per share for such periods also reflects the dilutive effect, if any, of outstanding stock options.

The following are the share amounts used to compute the basic and diluted earnings per share for each period:

	2001	2002		2003
	Year ended December 31,	January 1 to July 31	August 1 to December 31	Year ended December 31,
	(predecessor)	(predecessor)	(successor)	(successor)
	(in thousands)			
Weighted average shares used in basic computations	30,422	32,387	—	—
Dilutive effect of exercise of options outstanding	828	1,413	—	3,552
Dilutive effect of Preferred shares	—	—	100,000	101,298
Dilutive effect of warrants	—	—	2,041	2,041
Weighted average shares used in diluted computations	31,250	33,800	102,041	106,891

Options to purchase 5,872,107 and 6,691,500 shares of common stock at prices ranging from $2.50 to $12.32 and $0.44 to $1.76 were outstanding during 2003 and the five months ended December 31, 2002, respectively, but were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the shares of common stock and therefore such options would be anti-dilutive. For 2001 and for the seven months ended July 31, 2002 the number of shares excluded from the computation of diluted earnings per share were immaterial.

Pro forma Earnings Per Share (Unaudited)

The pro forma earnings per share for the twelve months ended December 31, 2003 reflects the effect of the $200 million shareholder dividend on earnings per share, assuming that a number of shares sufficient to raise $200 million were outstanding during the reporting period. This dividend is expected to be payable upon the closing of the Company's proposed initial public offering of common shares with a corresponding reduction of shareholders equity. The pro forma earnings per share does not reflect any other adjustments related to the proposed offering.

Revenue Recognition

Revenue is recognized when products are shipped and title passes to the Independent Distributor or importer. Sales are recognized on a net sales basis, which reflects product returns, net of discounts referred to as "Distributor Allowances" and amounts billed for freight and handling costs. Freight and handling costs paid by the Company are included in cost of sales. The Company generally receives the net sales price in cash or through credit card payments at the point of sale. Related royalty overrides and allowances for product returns are recorded when the merchandise is shipped.

Allowances for product returns primarily in connection with our buyback program are provided at the time the product is shipped. This accrual is based upon historic return rates for each country, which vary from zero to approximately 5.0% of net sales, and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Historically, product returns and buybacks have not been significant.

Accounting for Stock Options

In December 2002, the FASB issued SFAS 148 "Accounting for Stock Based Compensation—Transition and Disclosure." SFAS 148 amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of APB Opinion No. 25, issued March 2000, to account for its stock-based awards for employees. For options granted to employees, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS 123 established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS 123.

The following tables illustrate the effect on net income if the fair-value-based method had been applied to all outstanding and unvested awards in each period (in millions, except per share amounts):

	2001	2002		2003
	Year ended December 31,	January 1 to July 31	August 1 to December 31	Year ended December 31,
	(predecessor)	(predecessor)	(successor)	(successor)
Net income as reported	$ 42.6	$ 9.2	$ 14.0	$ 36.8
Add: Stock-based employee compensation expense included in reported net income	—	0.6	—	1.1
Deduct: Stock-based employee compensation expense determined under fair value based methods for all awards	(1.2)	(0.4)	—	(0.7)
Pro forma net income	$ 41.4	$ 9.4	$ 14.0	$ 37.2
Basic earnings per share				
As reported	$ 1.40	$ 0.28		
Pro forma	$ 1.36	$ 0.29		
Diluted earnings per share				
As reported	$ 1.36	$ 0.27	$ 0.14	$ 0.34
Pro forma	$ 1.33	$ 0.28	$ 0.14	$ 0.35

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

3. Inventories

Inventories consist primarily of finished goods available for resale and can be categorized as follows:

	December 31	
	2002	2003
	(in millions)	
Weight management and inner nutrition	$ 41.5	$ 44.2
Outer Nutrition®	8.2	7.0
Literature, promotional and others	7.2	8.2
Total	$ 56.9	$ 59.4

4. Long-Term Debt

Long-term debt consists of the following:

	At December 31	
	2002	2003
	(in millions)	
Senior subordinated notes	$ 163.0	$ 158.2
Borrowing under senior credit facility	135.0	119.8
Senior Notes	38.5	39.6
Discount—Senior note warrant	(1.7)	(1.6)
Capitalized leases	3.3	5.5
Other debt	2.7	3.8
	340.8	325.3
Less: current portion	19.2	72.4
	$ 321.6	$ 252.9

Interest expense was $0.4 million, $0.2 million, $25.2 million, and $41.2 million for the year ended December 31, 2001, the seven months ended July 31, 2002, the five months ended December 31, 2002, and the year ended December 31, 2003.

In connection with the Acquisition, the Company consummated certain related financing transactions, including the issuance by WH Acquisition on June 27, 2002 of $165.0 million of $11^{3}/4$% Senior Subordinated Notes (the "Senior Subordinated Notes") issued at 98.716% of par, due July 15, 2010. Interest on the Senior Subordinated Notes is to be paid semi annually on January 15th and July 15th, of each year (the first payment of which was made on January 15, 2003). In connection with this financing, the Company incurred $25.1 million of debt issuance costs, which are being amortized, over the term of the debt using the effective interest rate method. During the third quarter of 2003, the Company repurchased $5 million principal value of Senior Subordinated Notes. The fair value of the Senior Subordinated Notes was $189.6 million and $165.0 million at December 31, 2003 and 2002, respectively.

In addition, the Company, as borrower, entered into a Credit Agreement dated as of July 31, 2002 with the guarantors party, the lenders party, Rabobank International, as documentation agent, General Electric Capital Corporation, as syndication agent, UBS Securities LLC (successor in interest to UBS Warburg LLC), as arranger, and UBS AG, Stamford Branch, as administrative agent, collateral agent and issuing bank (the "Credit Agreement"), which provides for a term loan amount of $180.0 million and a revolving credit facility in the amount of $25.0 million (collectively, the "Senior Credit Facility"). In conjunction with this financing, the Company incurred $16.7 million of debt issuance costs, which are being amortized over the term of the debt using the effective interest method. The revolving credit facility is available until July 31, 2007. The term loan and the revolving credit facility bear interest, at the option of the Company, at either the alternate base rate or the LIBOR rate plus in each case an applicable margin. The base rate applicable margin for the term loan is 3.00%, while the LIBOR rate applicable margin is 4.00%. As of December 31, 2003, no amounts had been borrowed under the revolving credit facility. As of December 31, 2003, the Company had selected the LIBOR rate alternative (three months) with the December 31, 2003 interest rate of 5.1%. The base rate applicable margin for the revolving credit facility is 2.75%, while the LIBOR rate applicable margin is 3.75%. In accordance with the terms of the Senior Credit Facility, on October 30, 2002, Herbalife purchased a three-year 5% LIBOR interest rate cap covering $34.4 million of the term loan.

Also, in connection with the Acquisition, the Company issued and sold $38.0 million principal amount of 15.5% Senior Notes ("Senior Notes"), due July 15, 2011. The Senior Notes accrue interest at the rate of 15.5% per annum. Interest is required to be paid on March 31, June 30, September 30, and December 31 in each year commencing September 30, 2002. In accordance with the terms of the Senior Notes, 12.5% per annum of the interest payable quarterly is to be paid in cash and 3.0% per annum of the interest payable quarterly is to be paid through the issuance of additional notes. The principal amount of the Senior Notes is required to be paid on July 15, 2011. From the net proceeds of the issuance of the Senior Notes, the Company established and deposited $12.5 million to a payment reserve account to provide payment when due of scheduled cash interest payments until March 31, 2005 and, in certain circumstances, other amounts due on the Senior Notes. All amounts deposited in the payment reserve account are pledged by the Company to The Bank of New York, as collateral agent for the benefit of the holders of the Senior Notes. The balance of the payment reserve account was $5.7 million at December 31, 2003, and it was reflected in the restricted cash balance on the balance sheet.

In connection with the sale of the Company's Senior Notes, the Company issued warrants for approximately 2.0 million preferred shares to the purchasers of the Senior Notes. Affiliates of Whitney hold warrants with the right to purchase 0.9 million preferred shares. The warrants may be exercised at any time at a price of $0.01 per share. The warrants also have customary protection against dilution. The Company allocated $1.8 million as capital surplus for the issuance of the warrants on July 31, 2002. The Senior Notes were discounted by the same amount and such discount will be amortized over the term of the Senior Notes.

The Senior Subordinated Notes and the Senior Credit Facility are guaranteed by the Guarantors (as defined in Note 15 herein). The Senior Credit Facility is also guaranteed by Herbalife. The obligations under the Senior Credit Facility are secured by (i) first priority pledges of (A) all of the shares of the Guarantors and (B) 65% of the equity interests of the foreign subsidiaries of Herbalife International that are not Guarantors other than HIIP Investment Co., LLC, Herbalife Foreign Sales Corporation, Importadora Y Distribuidora Herbalife International de Chile Limitada, Herbalife International Greece S.A., Herbalife Hungary Trading, Limited, PT Herbalife Indonesia, Herbalife International SBN, BHD, HBL International Maroc S.à.R.L., Herbalife International Products N.V., Herbalife International Holdings, Inc., Herbalife International, S.A., Herbalife Dominicana, S.A., and Herbalife Del Ecuador, S.A. and (ii) security interests in and liens on all accounts receivable, inventory and other property and assets of Herbalife and the Guarantors (other than the escrow account for interest on the Senior Notes).

The Senior Subordinated Notes, the Senior Credit Facility and the Senior Notes include customary covenants that restrict, among other things, the ability to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of the assets, or enter into various transactions with affiliates. Additionally, the Senior Credit Facility includes covenants relating to the maintenance of certain leverage, fixed charge coverage, and interest coverage ratios.

In December 2002, the Company and its lenders amended the Credit Agreement. Under the terms of the amendment, the Company made a prepayment of $40.0 million on December 30, 2002. In connection with this prepayment, the lenders waived the December 31, 2002 and March 31, 2003 mandatory amortization payments of $7.5 million along with a mandatory 50% excess cash flow payment solely for the year ended December 31, 2002. The Company's debt agreement has a provision that requires the Company to make early payments to the extent of excess cash flow, as defined. In addition, Herbalife International was allowed to pay certain monitoring fees to Whitney and Golden Gate that under the terms of the original Credit Agreement were to be accrued, but not paid, until the obligations under the Credit Agreement had been paid in full. The amortization of the principal payments was also modified so that Herbalife International was obligated to pay approximately $2.2 million on June 30, 2003 and will pay $6.5 million in each subsequent quarter through March 31, 2008, with the final payment on June 30, 2008 being approximately $8.7 million. As of December 31, 2003, Herbalife International anticipated a $40 million mandatory excess cash flow payment in the first quarter of 2004. Consequently, the future quarterly principal payments will be reduced. However, the Company may be obligated to make future excess cash flow payments as described above. In addition, Herbalife International was granted the right to make prepayments, of up to $25 million in aggregate principal amount, on the Senior Subordinated Notes over the life of the Credit Agreement provided that Herbalife meets an agreed upon leverage ratio.

As of December 31, 2003, certain Whitney affiliated companies had provided funding for $5.1 million of the term loan under the Senior Credit Facility, $1.3 million of the Senior Subordinated Notes and held $17.3 million of the Senior Notes.

Annual scheduled payments of long-term debt are: $72.4 million (2004), $17.5 million (2005), $15.5 million (2006), $15.0 million (2007), $8.7 (2008), and $196.2 million (thereafter).

5. Lease obligations

The Company has warehouse, office, furniture, fixtures and equipment leases, which expire at various dates through 2011. Under the lease agreements, the Company is also obligated to pay property taxes, insurance, and maintenance costs.

Certain of the leases contain renewal options. Future minimum rental commitments for non-cancelable operating leases and capital leases at December 31, 2003 were as follows:

	Operating	Capital
	(in millions)	
2004	$ 12.6	$ 3.3
2005	9.4	1.9
2006	4.7	0.5
2007	1.4	—
2008	1.2	—
Thereafter	0.4	—
Total	$ 29.7	5.7
Less: amounts included above representing interest		0.2
Present value of net minimum lease payments		$ 5.5

Rental expense for 2001, the seven months ended July 31, 2002, the five month period ended December 31, 2002 and the year ended December 31, 2003 was $20.0 million, $11.6 million, $8.6 million, and $21.0 million, respectively.

Property under capital leases is included in property on the accompanying consolidated balance sheets as follows: (in millions)

	December 31	
	2002	2003
	(in millions)	
Equipment	$ 9.9	$ 10.2
Less: accumulated depreciation	(6.8)	(4.7)
Total	$ 3.1	$ 5.5

6. Employee compensation plans

The Company maintains a profit sharing plan pursuant to Sections 401 (a) and (k) of the Internal Revenue Code. The plan is available to substantially all employees who meet length of service requirements. Employees may elect to contribute 2% to 17% of their compensation, and the Company will match 3% of the earnings of each employee who elects to defer 2% or more of his or her earnings. Participants are partially vested in the Company contributions after one year and fully vested after five years. The Company contributed $1.3 million, $0.8 million, $0.6 million, and $1.3 million for the year ended December 31, 2001, the seven months ended July 31, 2002, the five months ended December 31, 2002, and the year ended December 31, 2003, respectively.

The Company has two non-qualified, deferred compensation plans for select groups of management: the "Management Plan" and the "Senior Executive Plan." The deferred compensation plans allow eligible employees to elect annually to defer up to 50% of their base annual salary and up to 100% of their annual bonus for each calendar year (the "Annual Deferral Amount"). The Company makes matching contributions on behalf of each participant in the Senior Executive Plan. Effective for 2002, the Senior

Executive Plan was amended to provide that the amount of the matching contributions is to be determined by the Company in its discretion. For 2003, the matching contribution was 3% of a participant's base salary.

Each participant in either of the two deferred compensation plans has at all times a fully vested and non-forfeitable interest in each year's contribution, including interest credited thereto, and in any Company matching contributions, if applicable. In connection with a participant's election to defer an Annual Deferral Amount, the participant may also elect to receive a short-term payout, equal to the Annual Deferral Amount plus interest. Such amount is payable in two or more years from the first day of the year in which the Annual Deferral Amount is actually deferred.

In July 2002, the Company adopted an additional deferred compensation plan, the ("Supplemental Plan"). The Supplemental Plan allows employees to participate, who are highly compensated and who are eligible to participate in the Change in Control Plan. The administrative committee that manages and administers the plans (the "Deferred Compensation Committee") allows eligible employees to defer up to 100% of their Change in Control Payments.

Each participant in the Supplemental Plan will be deemed to have invested in funds that provide a return equal to the short-term AFR, within the meaning of the code. The entire interest of each participant in the Supplemental Plan is always fully vested and non-forfeitable. In connection with a participant's election to defer the Change in Control Payment, the participant may also elect to receive a short-term payout, equal to the deferral amount plus earnings, which is payable two or more years from the first day of the year in which the deferral amount is actually deferred. Subject to the short-term payout provision and specified exceptions for unforeseeable financial emergencies, a participant may not withdraw, without incurring a ten percent (10%) withdrawal penalty, all or any portion of his or her account under the Supplemental Plan prior to the date that such participant either (1) is determined by the Deferred Compensation Committee to have incurred permanent and total disability of (2) dies or otherwise terminates employment with the Company.

The total deferred compensation expense of the three deferred compensation plans net of participant contributions was $3.9 million, $1.9 million, $1.3 million, and $1.0 million for 2001, seven months ended July 31, 2002, five months ended December 31, 2002, and the year ended December 31, 2003, respectively. The total long-term deferred compensation liability under the three deferred compensation plans was $22.4 million and $26.2 million at December 31, 2003 and 2002, respectively.

The Company has an Executive Retention Plan. The purpose of the Executive Retention Plan is to provide financial incentives for a select group of management and highly compensated employees of the Company to continue to provide services to the Company during the period immediately before and immediately after change in control, as defined.

As a result of certain actions by Herbalife International's Board, the Acquisition was not deemed to be a Change in Control under the Executive Retention Plan. Thus, the consummation of the Acquisition did not result in the payment of any benefit pursuant to the Executive Retention Plan.

The Company also established an Executive Retention Trust to provide benefits under the Executive Retention Plan. The Executive Retention Trust is an irrevocable trust established with an institutional trustee. The Administrative Committee of the Executive Retention Plan will establish an individual account in the Executive Retention Trust for each participant in the Executive Retention Plan. Until the occurrence of a change in control, the Administrative Committee will control the investment of the assets in the Executive Retention Trust, and will determine the allocation of the assets of the Executive Retention

Trust to the individual accounts of participants. Each participant who qualifies for a benefit under the Executive Retention Plan will receive a lump sum benefit equal to the dollar amount in his or her individual account in the Executive Retention Trust. The benefit shall be paid within 90 days after the participant qualifies for the benefit. If a participant's employment with the Company terminates before the participant qualifies for a benefit under the Executive Retention Plan, the participant's account in the Executive Retention Trust will revert to the Company. A participant's benefit under the Executive Retention Plan will be reduced if the amount would cause payment of federal excise tax.

The deferred compensation plans are unfunded and their benefits are paid from the general assets of the Company, except that the Company has contributed to a "rabbi trust" whose assets will be used to pay the benefits if the Company remains solvent, but can be reached by the Company's creditors if the Company becomes insolvent. The value of the assets in the "rabbi trust" was $18.5 million and $27.5 million as of December 31, 2003 and 2002, respectively. The Company has also contributed to the Executive Retention Trust, which is an irrevocable trust. This irrevocable trust's assets will be used to pay the benefits of the Executive Retention Plan and are not intended to be reachable by the Company's creditors. The value of the assets in the irrevocable trust was $2.8 million and $4.5 million as of December 31, 2003 and 2002, respectively.

The Company had two Change in Control Plans for Senior Management, a Change in Control Plan and a Management Employee Change in Control Plan. Pursuant to the agreements in place prior to the signing of the Merger Agreement, upon consummation of the Acquisition, certain of the Company's executives received change in control payments (after making necessary adjustments for purposes of Section 280G and 4999 of the Code) of $7.6 million. Pursuant to the Herbalife Management Employee Change in Control Plan, which was in place prior to signing of the Merger Agreement, eligible employees that within one year after the occurrence of a Change in Control were involuntarily terminated by the Company would be entitled to receive one year of their base compensation. The agreement expired on July 31, 2003. As a result of the Acquisition, the Change in Control Payments were made and expensed in July 2002.

7. Retirement plan

The Company had a nonqualified, non-contributory Supplemental Executive Retirement Plan ("SERP") providing retirement benefits for a select group of management and highly compensated employees. The normal retirement benefit under the SERP is 60 quarterly installment payments commencing at age 65, each of which equals one-quarter of 2% of "compensation" times the number of years of participation up to 20 years. A participant becomes fully vested in his or her interest in the SERP on his or her normal or early retirement date, death, or disability, or on a change in control of the Company. If a participant's employment is terminated for cause, the Company has the discretion to reduce his or her vested benefit to zero. In all other cases, a participant's vested interest is zero until he or she has completed five years of participation, and gradually increases to 100% when he or she has completed nine years of participation. The Plan Administrator has the discretion to credit a participant with additional years of participation as of his or her date of hire or commencement of participation in the SERP. The SERP was completely curtailed effective December 31, 2002. At December 31, 2002 the liability to SERP participants was $5.9 million and participants either received a cash payment in the first quarter of 2003 or a rollover to the Company's deferred compensation plan on January 1, 2003. The following table shows the net periodic pension cost and other data about the SERP:

		2002
		(in millions)
Change in benefit obligation		
Benefit obligation at beginning of year	$	11.4
Service cost		1.4
Interest cost		0.7
Amendments		(3.1)
Actuarial (gain) loss		(3.1)
Benefits paid		(1.4)
Benefit obligation at end of year	$	5.9
Funded status	$	(5.9)
Unrecognized actuarial loss		—
Unrecognized prior service cost		—
Net amount recognized	$	(5.9)
Amounts recognized in the consolidated balance sheets		
Consists of:		
Accrued benefit liability	$	(5.9)
Intangible asset		—
Net amount recognized	$	(5.9)
Weighted-average assumptions as of December 31		
Discount rate		N/A
Rate of compensation increase		N/A

		2001		2002
Components of net periodic benefit cost				
Service cost	$	1.4	$	1.4
Interest cost		0.7		0.7
Amortization of prior service cost		0.5		0.5
Net periodic pension cost	$	2.6	$	2.6

8. Transactions with related parties

The Company has entered into agreements with Whitney and Golden Gate to pay monitoring fees for their services and other fees and expenses. Under the monitoring fee agreements, the Company is obligated to pay an annual amount of up to $5.0 million, but not less than $2.5 million for an initial period of ten years subject to the provisions in the Credit Agreement as amended. For the period August 1 to December 31, 2002 and for the year ended December 31, 2003, the Company expensed monitoring fees in the amount of $2.1 million and $5.0 million and other expenses of $0.1 million and $3.4 million, respectively. In addition, in connection with the Acquisition, the Company paid Whitney and Golden Gate $24.1 million in fees, which have been classified in the balance sheet as deferred financing costs and are being amortized.

Selected members of the Company's distributor organization and senior management have purchased, either from Herbalife or from the Equity Sponsors, Herbalife's 12% Series A Cumulative Convertible Preferred Shares. The price paid by participating members of the Company's distributor organization and senior management to the Equity Sponsors in the August and October 31, 2002 offering was $1.76 per share. The January 31, 2003 offering to members of the Company's President's Team by the Equity Sponsors was $1.97 per share. In connection with the May 20, 2003 offering by the Equity Club, the price paid by members of the Company's President's Team to the Equity Sponsors and by members of the Company's Chairman's Club to Herbalife was $2.21 per share. Michael O. Johnson, the Company's Chief Executive Officer, purchased from Herbalife 203,620 shares on June 24, 2003. The price paid by Mr. Johnson was the same price paid by members of the Company's distributor organization in the May 20, 2003 offering.

Francis Tirelli, the Company's former Chief Executive Officer, entered into a separation and general release agreement with the Company, effective on December 24, 2002. The preferred shares previously owned by Mr. Tirelli were purchased by certain existing shareholders and in connection therewith, an advance of $0.5 million was made by the Company's subsidiary, Herbalife International of America, Inc., to those shareholders. As of December 31, 2003 $0.3 million is outstanding.

In June 2003, Herbalife entered into a subscription agreement with its Chief Executive Officer, Michael Johnson, pursuant to which Herbalife has issued 0.2 million newly issued preferred shares at a price of $2.21 per share. The price paid by Mr. Johnson was the same price paid by members of the Company's distributors in a May 2003 offering. In addition, Mr. Johnson was granted options to purchase 5.9 million common shares in five tranches consisting of approximately 1.2 million shares each. The purchase price per share for each separate tranche is $0.44, $1.76, $5.28, $8.80, and $12.32, respectively. The Company has certain repurchase rights with respect to shares acquired upon exercise of these options, as further detailed in Note 10, except that the repurchase rights with respect to shares which can be repurchased at the lower of the exercise price or the fair value of the shares lapse on the earlier of the fifth anniversary of the date of grant or on initial public offering of the Company.

9. Contingencies

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International was a defendant in a purported class action lawsuit in the U.S. District Court of California (*Jacobs v. Herbalife International, Inc., et al*) originally filed on February 19, 2002 challenging marketing practices of several distributors and Herbalife International under various state and federal laws. Without in any way admitting liability or wrongdoing, we have reached a binding settlement with the plaintiffs. Under the terms of the settlement, we (i) paid $3 million into a fund to be distributed to former Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter, (ii) will pay up to a maximum aggregate amount of $1 million, refund to former Supervisor-level distributors the amounts they had paid to purchase such Newest Way to Wealth materials from the other defendants in this matter, and (iii) will offer rebates up to a maximum aggregate amount of $2 million on certain new purchases of Herbalife products to those current Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter. As of December 31, 2003, these amounts were adequately reserved in our financial statements.

Herbalife International and certain of its distributors have been named as defendants in a purported class action lawsuit filed July 16, 2003 in the Circuit Court of Ohio County in the State of West Virginia (*Mey v. Herbalife International, Inc., et al*). Herbalife International had removed the lawsuit to federal court and the court has recently remanded the lawsuit to state court. The complaint alleges that certain telemarketing practices of certain Herbalife International distributors violate the Telephone Consumer Protection Act and seeks to hold Herbalife International liable for the practices of its distributors. More specifically, the plaintiffs' complaint alleges that several of Herbalife's distributors used pre-recorded telephone messages and autodialers to contact prospective customers in violation of the TCPA's prohibition of such practices. Herbalife's distributors are independent contractors and, if any such distributors in fact violated the TCPA, they also violated Herbalife's policies, which require its distributors to comply with all applicable federal, state and local laws. We believe that we have meritorious defenses to the suit.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, the Company has been subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of $10.0 million.

Certain of our subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The aggregate amount of assessed taxes, penalties and interest to date is approximately $34.0 million. We and our tax advisors believe that there are meritorious defenses to the allegations that additional taxes are owing, and we are vigorously contesting the additional proposed taxes and related charges. These matters may take several years to resolve, and the Company cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material adverse effect on our financial condition and operating results. This opinion is based on our belief that any losses we suffer in excess of amounts reserved would not be material, and that we have meritorious defenses. Although we have reserved an amount that we believe represents the most likely outcome of the resolution of these disputes, if we are incorrect in our assessment we may have to pay the full amount assessed.

10. Shareholders' equity

The Company had authorized 103 million preferred shares at $0.001 par value. The Company increased the number of authorized preferred shares from 103 million to 106 million on July 31, 2003. On July 31, 2002, 100 million preferred shares were issued for $176 million in a private placement offering. On May 30, 2003, an additional 1.8 million preferred shares were sold for $4 million in a private placement offering. On August 27, an additional 0.2 million preferred shares were sold to the Company's Chief Executive Officer, Michael Johnson, pursuant to a subscription agreement entered into in June, 2003. The preferred shares have dividend provisions and liquidation preference over the common shares. The preferred shares also have redemption rights.

Preferred shares are entitled to receive cash dividends, at a rate per annum equal to 12% of the original issue price. Unpaid dividends will compound on a quarterly basis. All dividends are cumulative from the accrual date, whether or not earned or declared. Upon a conversion of the preferred shares, accrued and unpaid dividends shall be paid by the Company, at the election of the Company, in cash or in common shares. Payment of dividends is subject to restrictions imposed by the debt documents. The total undeclared and unpaid accumulative dividend on preferred shares was $32.8 million and $9.0 million on December 31, 2003 and 2002, respectively.

Upon any liquidation, dissolution or winding-up of the Company, each holder of preferred shares will have the right to receive for each preferred share (i) before any distribution or payment to the holder of common shares, the amount equal to the original issue price, plus any accrued and unpaid dividends thereon plus (ii) the amount the holder would have received with respect to such holder's common shares assuming that the preferred shares had been converted into common shares immediately prior to such winding up.

Preferred shares shall automatically convert on the earlier of (x) an initial public offering of the Company and (y) a sale, Acquisition or other change of control event into a unit consisting of (i) one share of common per preferred share subject to some adjustments and (ii) the right to receive cash equal to the original issue price per preferred share.

The terms of the preferred shares contain anti-dilution adjustments for structural events such as stock splits, dividends, combinations, subdivisions, and reclassifications.

The Shareholders' Agreement (to which all shareholders are party) gives the Company and the equity sponsors the right to repurchase shares from employees and distributors of the Company in certain circumstances which include the dismissal, death or retirement of an employee or distributor. The price at which preferred shares may be repurchased is the greater of formula price or cost for a termination without cause, or the lesser of formula price or cost for a termination for cause. The price at which common shares may be repurchased is the greater of current market price or cost for a termination without cause, or the lesser of current market price of cost for a termination for cause.

The Company has entered into arrangements with its stockholders and the holders of its Senior Notes that grant such holders pre-emptive rights, protection from dilution, and certain negative covenants. These arrangements may restrict the ability of the Company to issue additional equity.

The Company did not have any common shares outstanding as of December 31, 2003 and 2002.

WH Holdings (Cayman Islands) Ltd. Stock Option Plan ("Management Plan"). Herbalife has established a stock option plan that provides for the grant of options to purchase common shares of WH Holdings (Cayman Islands) Ltd. to members of management of Herbalife International. The option plan is administered by a committee appointed by the Board of Herbalife. Upon conversion of the options into common shares of Herbalife, members of management of Herbalife International will be required to enter into a shareholders' agreement and a registration rights agreement with Herbalife.

WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Option Plan ("Independent Directors Plan"). Herbalife has established an independent directors stock option plan that provides for the grant of options to purchase common shares of Herbalife to independent directors of Herbalife. One million shares have been reserved for grant under this plan.

Approximately 15.5% of the share capital at the time of the Acquisition or 18.7 million shares of Herbalife's are available for grants under the two plans. As of December 31, 2003, the Company had granted approximately 17.7 million stock options, of which 0.8 million were under the Independent Directors Plan.

The Management Plan and the Independent Directors Plan (collectively, the "Plans") call for options to be granted with exercise prices not less than the fair value of the underlying shares on the date of grant. Options under the Plans vest and become exercisable in quarterly 5% increments unless provided otherwise by the applicable grant agreement. Options granted under the plans have a contractual life of 10 years and shares issued on exercise are subject to certain repurchase provisions following a termination in employment or directorship.

On November 6, 2003, the Board of the Company approved an amendment to its stock option plan under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan with certain senior management employees ("Senior Plan"). Under the previous terms, the Company determined that the options did not substantively vest since they could be repurchased by the Company at the lower of fair market value or exercise price. Accordingly, the Company concluded that there would not be a measurement date until a liquidity event occurred when the Company's repurchase right would expire for GAAP purposes under the plan and no compensation expense was recognized. The Company has also concluded that the amendments result in a fixed plan with a measurement date as of November 6, 2003. Based on the estimated fair value of the Company's common shares, the Company believes the fair value of the common shares issuable upon exercise of the options exceeded the exercise price per share for the options on this date and recorded a compensation charge to account for the indicated intrinsic value. The total intrinsic value and the related compensation expense is $9.4 million which will be recognized over a 7-year period following the date of grant, beginning with $1.2 million in the fourth quarter of 2003, representing the portion of the options that have already vested, and $1.3 million per year until fully expensed.

Under the Management Plan, upon termination of employment, excluding senior executives, Herbalife and the institutional shareholders will have the right to repurchase the shares acquired upon the exercise of options within a specified period at a price not less than (a) the fair market value at the time of termination or (b) the exercise price, however, the right to repurchase at the exercise price shall lapse at the rate of 20% per annum. Upon termination of a senior executive, Herbalife and the institutional shareholders have the right to repurchase the shares if such termination (i) was voluntary, due to resignation or for cause (A) before the seventh anniversary of the option grant, at an amount equal to the lesser of: (a) the fair market value at the time of repurchase or (b) after the seventh anniversary of the option grant, at an amount equal to the fair market value at the time of repurchasing; or (ii) was involuntary without cause or because of death, retirement or disability at an amount equal to the greater of: (a) the fair market value at the time of such termination; or (b) the exercise price.

Under the Independent Directors Plan, upon termination of an Independent Director, Herbalife and the institutional shareholders have the right to repurchase the shares if such termination (i) was voluntary, due to resignation or for cause at an amount equal to the lesser of: (a) the fair market value at the time of such termination; or (b) the exercise price; (ii) was involuntary without cause or because of death, retirement or disability at an amount equal to the greater of: (a) the fair market value at the time of such termination; or (b) the exercise price.

Option groups outstanding at December 31, 2001, July 31, 2002, December 31, 2002, December 31, 2003 and related option information is as follows:

2003 (successor)	Herbalife common shares	
	Options	Weighted average exercise price
	(in millions)	
Outstanding at January 1, 2003	6.7	$ 1.18
Granted	12.1	4.08
Exercised	—	—
Cancelled	(1.1)	1.15
Outstanding at December 31	17.7	$ 3.17
Available for grant at December 31	1.0	
Total reserved shares	18.7	
Exercisable at December 31	2.5	$ 1.14
Option prices per share		
Granted	$0.44 - $12.32	
Exercised	—	
Weighted average fair value of options granted during the year	$ 0.24	

2002 (successor)	Herbalife common shares	
	Options	Weighted average exercise price
	(in millions)	
Granted	6.7	$ 1.18
Exercised	—	—
Canceled	—	—
Outstanding at December 31	6.7	$ 1.18
Available for grant at December 31	12.0	
Total reserved shares	18.7	
Exercisable at December 31	0.3	$ 1.19
Option prices per share		
Granted	$0.44 - $1.76	
Exercised	—	
Weighted average fair value of options granted during the year	$ 0.03	

2002 (predecessor)	Class A stock Options (in millions)	Class A stock Weighted average exercise price	Class B stock Options (in millions)	Class B stock Weighted average exercise price
Outstanding at January 1	0.9	$ 7.88	3.8	$ 7.33
Granted	—	—	—	—
Exercised	(0.3)	7.90	(1.1)	6.85
Canceled	—	—	—	—
Converted	(0.6)	7.86	(2.7)	7.54
Outstanding at July 31	—	$ —	—	$ —
Available for grant at July 31	—		—	
Total reserved shares	—		—	
Exercisable at July 31	—	$ —	—	$ —
Option prices per share				
Granted	—	—		
Exercised	$7.38 - $8.00		$ 6.63	
Weighted average fair value of options granted during the year	—		—	

2001 (predecessor)	Class A stock Options (in millions)	Class A stock Weighted average exercise price	Class B stock Options (in millions)	Class B stock Weighted average exercise price
Outstanding at January 1	2.0	$ 7.89	4.6	$ 6.67
Granted	—	—	0.5	11.30
Exercised	(1.1)	7.89	(1.3)	6.52
Canceled	—	—	—	—
Outstanding at December 31	0.9	$ 7.88	3.8	$ 7.33
Available for grant at December 31	0.1		0.2	
Total reserved shares	1.0		4.0	
Exercisable at December 31	0.9	$ 7.87	2.7	$ 6.75
Option prices per share				
Granted	—		$ 11.30	
Exercised	$7.38 - $8.00		$6.63 - $8.63	
Weighted average fair value of options granted during the year	—		$ 3.14	

The fair value of the stock options granted during the periods presented was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2001		2002			2003
	Year ended December 31		January 1 to July 31		August 1 to December 31	Year ended December 31
	Class A	Class B	Class A	Class B	Common	Common
	(Predecessor)		(Predecessor)		(Successor)	(Successor)
Risk free interest rate	N/A	2.92%	N/A	N/A	3.20%	3.00%
Expected option life	N/A	3.0 years	N/A	N/A	5.0 years	5.0 years
Volatility	N/A	56.67%	N/A	N/A	0.00%	0.00%
Dividend yield	N/A	6.50%	N/A	N/A	0.00%	0.00%

The following table summarizes information regarding option groups outstanding at December 31, 2003:

Range of Exercise Price	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercise price
	(in millions)			(in millions)	
$0.44	6.1	9.1	$ 0.44	1.3	$ 0.44
$1.76	5.7	9.0	$ 1.76	1.1	$ 1.76
$2.50 - $11.50	4.6	9.4	$ 6.03	0.1	$ 2.82
$12.32	1.3	9.3	$ 12.32	—	—

11. Segment Information

The Company is a network marketing company that sells a wide range of weight management products, nutritional supplements and personal care products within one industry segment as defined under SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's products are manufactured by third party providers and then sold to independent distributors who sell Herbalife products to retail consumers or other distributors.

The Company has operations throughout the world and is organized and managed by geographic area. In the first quarter of 2003, the Company elected to aggregate its operating segments into one reporting segment, as management believes that the operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers sold to, the methods used to distribute the products, and the nature of the regulatory environment. However, the Company does recognize revenue from sales to distributors in four geographic regions: The Americas, Europe, Asia/Pacific Rim (excluding Japan), and Japan. Sales information for the United States and Japan, markets exceeding 10% of consolidated net sales, is presented in addition to the operating margin for these markets.

Revenues reflect sales of products to distributors based on the distributors' geographic location. Sales attributed to the United States is the same as reported in the geographic operating information.

"Net sales" represents product sales including handling and freight income. The Company receives its net sales price in cash or through credit card payments upon receipt of orders from distributors.

	2001	2002		2003
	Year ended December 31	January 1 to July 31	August 1 to December 31	Year ended December 31
	(Predecessor)	(Predecessor)	(Successor)	(Successor)
		(in millions)		
Net Sales:				
United States	$ 278.8	$ 189.1	$ 117.3	$ 274.9
Japan	178.1	84.0	57.1	119.3
Others	563.2	371.1	275.1	765.2
Total Net Sales	$ 1,020.1	$ 644.2	$ 449.5	$ 1,159.4
Operating Margin:				
United States	$ 111.9	$ 79.5	$ 47.0	$ 116.7
Japan	86.3	39.5	27.9	56.5
Others	225.2	157.4	119.7	335.1
Total Operating Margin	$ 423.4	$ 276.4	$ 194.6	$ 508.3
Marketing, distribution and administrative expense*	$ 354.6	$ 207.4	$ 135.5	$ 401.3
Acquisition transaction expense	—	54.7	6.2	—
Interest expense (income), net	(3.4)	(1.4)	23.9	41.5
Income before income taxes and minority interest	72.2	15.7	29.0	65.5
Income taxes	28.9	6.3	15.0	28.7
Minority Interest	0.7	0.2	—	—
Net Income	$ 42.6	$ 9.2	$ 14.0	$ 36.8
Net sales by product line:				
Weight management	$ 421.9	$ 274.4	$ 191.2	$ 500.1
Inner nutrition	443.7	280.7	195.6	505.1
Outer Nutrition®	106.2	64.3	44.4	105.7
Literature, promotional and other	48.3	24.8	18.3	48.5
Total Net Sales	$ 1,020.1	$ 644.2	$ 449.5	$ 1,159.4
Net sales by geographic region:				
Americas	$ 386.9	$ 257.6	$ 166.7	$ 424.4
Europe	283.1	193.7	149.0	448.2
Asia/Pacific Rim (excluding Japan)	172.0	108.8	76.7	167.5
Japan	178.1	84.1	57.1	119.3
Total Net Sales	$ 1,020.1	$ 644.2	$ 449.5	$ 1,159.4

Capital Expenditures:				
United States	$ 11.5	$ 5.4	$ 2.6	$ 17.3
Japan	0.4	0.1	0.1	0.2
Others	2.9	1.3	0.9	2.9
Total Capital Expenditures	$ 14.8	$ 6.8	$ 3.6	$ 20.4

* 2003 includes $9.1 million of litigation cost and related expenses

	December 31,	
	2002	2003
	(Successor)	(Successor)
Total Assets:		
United States	$ 566.8	$ 601.0
Japan	104.8	62.9
Others	184.1	240.1
Total Assets	$ 855.7	$ 904.0
Goodwill:		
United States	$ 88.4	$ 46.0
Japan	55.5	22.7
Others	67.2	98.8
Total Goodwill	$ 211.1	$ 167.5

12. Derivative Instruments and Hedging Activities

The Company designates certain derivatives as fair value hedges. For all qualifying and highly effective fair value hedges, the changes in the fair value of a derivative and the gain or loss on the hedged asset or liability relating to the risk being hedged are recorded currently in earnings. These amounts are recorded in marketing, distribution, and administrative expenses and provide offsets to one another.

The Company designates certain derivatives as cash flow hedges. The Company engages in a foreign exchange hedging strategy for which the hedged transactions are forecasted foreign currency denominated intercompany transactions. The hedged risk is the variability of the foreign currency where the hedging strategy involves the purchase and sale of average rate options. For the outstanding cash flow hedges on foreign exchange exposures at December 31, 2003, the maximum length of time over which the Company is hedging these exposures is 12 months. The Company also engages in an interest rate hedging strategy for which the hedged transactions are forecasted interest payments on the variable rate term loan. The hedged risk is the variability of interest rate where the hedging strategy involves the purchase of interest rate caps. For all qualifying and highly effective cash flow hedges, the changes in the effective portion of the fair value of the derivative are recorded in other comprehensive income ("OCI"). The ineffective portion of the hedges, which was not material for any periods presented, is recognized in income currently. At December 31, 2003, the net loss in OCI was $1,392,000. Substantially, all OCI amounts will be reclassified to earnings within 12 months.

The Company designates certain derivatives as free standing derivatives for which hedge accounting does not apply. The changes in the fair market value of the derivatives are recorded in the Company's statement of income. The Company purchases average rate put options, which give the Company the right, but not the obligation, to sell foreign currency at a specified exchange rate ("strike rate"). These contracts provide protection in the event the foreign currency weakens beyond the option strike rate. In some instances, the Company sells (writes) foreign currency call options to finance the purchase of put options, which gives the counterparty the right, but not the obligation, to buy foreign currency from the Company at a specified strike rate. These contracts serve to limit the benefit the Company would otherwise derive from strengthening of the foreign currency beyond the strike rate. Such written call options are only entered into contemporaneously with purchased put options. The fair value of option contracts is based on third-party bank quotes.

The following table provides information about the details of the Company's option contracts. Certain option contracts were designated as cash flow hedges or fair value hedges. Certain option contracts were freestanding derivatives.

Foreign Currency	Coverage	Average strike price	Fair value	Maturity date
	(in millions)		(in millions)	
At December 31, 2003				
Purchase Puts (Company may sell yen/buy USD)				
Japanese yen	$ 6.0	107.75 - 107.97	$ —	Jan - Mar 2004
Japanese yen	6.0	107.39 - 107.62	0.1	Apr - Jun 2004
Japanese yen	6.0	106.95 - 107.25	0.2	Jul - Sep 2004
Japanese yen	6.0	106.43 - 106.80	0.2	Oct - Dec 2004
	$ 24.0		$ 0.5	
Written Calls (Counterparty may buy yen/sell USD)				
Japanese yen	$ 6.0	102.00	$ —	Jan - Mar 2004
Japanese yen	6.0	102.00	—	Apr - Jun 2004
Japanese yen	6.0	102.00	(0.1)	Jul - Sep 2004
Japanese yen	6.0	102.00	(0.1)	Oct - Dec 2004
	$ 24.0		$ (0.2)	
Purchase Puts (Company may sell euro/buy USD)				
Euro	$ 9.4	1.1635 - 1.1910	$ —	Jan - Mar 2004
Euro	9.4	1.1588 - 1.1881	0.1	Apr - Jun 2004
Euro	5.7	1.1564 - 1.1579	—	Jul - Sep 2004
Euro	5.7	1.150 - 1.1558	0.1	Oct - Dec 2004
	$ 30.2		$ 0.2	

Written Calls (Counterparty may buy euro/sell USD)						
Euro	$	5.7	1.21	$	(0.2)	Jan - Mar 2004
Euro		5.7	1.21		(0.3)	Apr - Jun 2004
Euro		5.7	1.21		(0.3)	Jul - Sep 2004
Euro		5.7	1.21		(0.3)	Oct - Dec 2004
	$	22.8		$	(1.1)	
At December 31, 2002						
Purchase Puts (Company may sell yen/buy USD)						
Japanese yen	$	6.0	118.43 - 119.68	$	0.1	Jan - Mar 2003
Japanese yen		6.0	118.03 - 119.30		0.1	Apr - Jun 2003
	$	12.0		$	0.2	
Purchase Puts (Company may sell euro/buy USD)						
Euro	$	9.0	1.0155 - 1.0300	$	—	Jan - Mar 2003
Euro		9.0	1.0155 - 1.0300		0.2	Apr - Jun 2003
	$	18.0		$	0.2	

Foreign exchange forward contracts are also used to hedge advances between subsidiaries and bank loans denominated in currencies other than their local currency. The objective of these contracts is to neutralize the impact of foreign currency movements on the subsidiary's operating results. The fair value of forward contracts is based on third-party bank quotes.

The table below describes the forward contracts that were outstanding. All forward contracts were freestanding derivatives.

Foreign currency	Contract date	Forward position (in millions)	Maturity date	Contract rate	Fair value (in millions)
At December 31, 2003					
Buy TWD Sell EURO	12/02/2003	$ 2.6	1/5/2004	41.1200	$ 2.5
Buy CAD Sell EURO	12/02/2003	$ 1.2	1/5/2004	1.5682	$ 1.2
Buy DKK Sell EURO	12/02/2003	$ 0.8	1/5/2004	7.4410	$ 0.8
Buy SEK Sell EURO	12/02/2003	$ 0.8	1/5/2004	9.0145	$ 0.8
Buy AUD Sell EURO	12/02/2003	$ 1.1	1/5/2004	1.6552	$ 1.1
Buy AUD Sell EURO	12/19/2003	$ 1.5	1/5/2004	1.6810	$ 1.5
Buy GBP Sell USD	12/19/2003	$ 3.2	1/23/2004	1.7636	$ 3.2
Buy SEK Sell USD	12/19/2003	$ 1.6	1/23/2004	7.3270	$ 1.7
Buy JPY Sell USD	12/19/2003	$ 14.0	1/23/2004	107.7050	$ 14.1
Buy EURO Sell USD	12/19/2003	$ 1.0	1/23/2004	1.2381	$ 1.0
At December 31, 2002					
Buy USD Sell Mexican Peso	12/03/2002	$ 10.6	1/06/2003	10.21	$ 10.8
Buy USD Sell Brazilian Real	12/12/2002	$ 1.0	1/16/2003	3.74	$ 0.9

All foreign subsidiaries excluding those operating in hyper-inflationary environments designate their local currencies as their functional currency. At year end, the total amount of cash held by foreign subsidiaries primarily in Japan and Korea was $63.4 million of which $3.7 million was maintained or invested in U.S. dollars.

The interest rate cap is used to hedge the interest rate exposure on the term loan which has a variable interest rate. They provide protection in the event the LIBOR rates increase beyond the cap rate. The table below describes the interest rate cap that was outstanding. Interest rate caps were designated as cash flow hedges.

Interest rate	Notional amount (in millions)	Cap rate	Fair value (in millions)	Maturity date
At December 31, 2003				
Interest Rate Cap	$ 34.4	5%	$ —	10/31/2005
At December 31, 2002				
Interest Rate Cap	$ 43.8	5%	$ 0.1	10/31/2005

13. Income Taxes

The components of income before income taxes are:

	2001 Year ended December 31, (predecessor)	2002 January 1 to July 31, (predecessor)	2002 August 1 to December 31, (successor)	2003 Year ended December 31, (successor)
	(in millions)			
Domestic	$ 50.0	$ 3.5	$ 8.4	$ 14.8
Foreign	22.2	12.2	20.6	50.7
	$ 72.2	$ 15.7	$ 29.0	$ 65.5

Income taxes are as follows:

	2001 Year ended December 31, (predecessor)	2002 January 1 to July 31, (predecessor)	2002 August 1 to December 31, (successor)	2003 Year ended December 31, (successor)
		(in millions)		
Current:				
Foreign	$ 17.7	$ 7.3	$ 17.7	$ 24.7
Federal	12.0	(1.9)	(4.5)	14.5
State	2.1	0.4	0.7	1.7
Deferred:				
Foreign	3.7	(0.5)	(1.4)	(4.3)
Federal	(6.5)	1.1	2.7	(8.2)
State	(0.1)	(0.1)	(0.2)	0.3
	$ 28.9	$ 6.3	$ 15.0	$ 28.7

The tax effects of temporary differences which gave rise to deferred income tax assets and liabilities are as follows:

	Year ended December 31 2002	2003
Deferred income tax assets:		
Accruals not currently deductible	$ 13.5	$ 17.4
Accrued foreign withholding tax on unremitted earnings	2.8	2.8
Foreign tax credits and tax loss carryforwards of certain foreign subsidiaries	24.8	43.9
Depreciation/amortization	0.7	0.1
Deferred compensation plan	13.1	9.1
Accrued state income taxes	—	0.6
Accrued vacation	1.6	1.4
Unrealized foreign exchange	6.2	4.7
Other	1.6	3.2
Gross deferred income tax assets	$ 64.3	$ 83.2
Less: valuation allowance	(20.1)	(42.5)
Net deferred income tax assets	44.2	40.7
Deferred income tax liabilities:		
Intangible assets	$ 126.3	$ 140.2
Inventory deductibles	1.9	3.3
	$ 128.2	143.5
Net	$ (84.0)	$ (102.8)

At December 31, 2003, the Company's deferred income tax asset for U.S. foreign tax credits of $43.6 million and net operating loss carryforwards of certain foreign subsidiaries of $3.1 million was reduced by a valuation allowance of $42.5 million. The valuation allowance includes an increase during 2003 of $14.7 million attributable to U.S. foreign tax credits applicable to periods prior to the Acquisition, therefore this amount has not affected the 2003 income statement. If tax benefits are recognized in the future through reduction of the valuation allowance, $32.9 million of such benefits will be allocated to reduce goodwill.

During 2002, the Company recorded a deferred income tax liability in connection with identified intangible assets recorded in the acquisition of the Company. During 2003, in connection with the revaluation of these assets, the associated deferred income tax liability was increased by $28.3 million.

During 2003, the Company recorded a deferred tax liability of $2.7 million in connection with the recording of other comprehensive income for the year related to currency translation. The total deferred tax liability at December 31, 2003 relating to accumulated comprehensive income was $2.3 million.

The net operating loss carryforwards expire in varying amounts between 2004 and 2012. The foreign tax credit carryforwards expire in varying amounts between 2005 and 2008. Realization of the income tax carryforwards is dependent on generating sufficient taxable income prior to expiration of the carryforwards. Although realization is not assured, management believes it is more likely than not that the net carrying value of the income tax carryforwards will be realized. The amount of the income tax carryforwards that is considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

Deferred income taxes of $2.8 million have been provided on the undistributed earnings of non-U.S. subsidiaries that are not expected to be permanently reinvested in such subsidiaries.

The tax expense differs from the "expected" income tax expense by applying the United States statutory rate of 35% as follows:

	Year ended December 31, 2001	January 1 to July 31, 2002	August 1 to December 31, 2002	Year ended December 31, 2003
	(predecessor)	(predecessor)	(successor)	(successor)
		(in millions)		
Tax expense at United States statutory rate	$ 25.3	$ 5.5	$ 10.1	$ 22.9
Increase (decrease) in tax resulting from:				
Differences between U.S. and foreign tax rates on foreign income, including withholding taxes	7.1	1.8	7.4	3.9
U.S. tax (benefit) on foreign income and foreign tax credits	(7.9)	(1.6)	(5.4)	(6.3)
Increase (decrease) in valuation allowances	2.3	0.1	1.7	7.7
State taxes, net of federal benefit	1.2	0.4	0.8	1.3
Other	0.9	0.1	0.4	(0.8)
Total	$ 28.9	$ 6.3	$ 15.0	$ 28.7

The U.S. tax benefit on foreign income and foreign tax credits shown above resulted in increases to the deferred tax asset for foreign tax credit carryovers and the valuation allowance. The valuation allowance for deferred tax assets applicable to periods prior to the Acquisition was also adjusted, as discussed above.

14. Restructuring Reserve

As of the date of the Acquisition, the Company began to assess and formulate a plan to reduce costs of the business and recorded a severance and restructuring accrual as part of the cost of the Acquisition. The accrued severance is for employees including executives, corporate functions, and administrative support that were identified at the time of the Acquisition. Actions required by the plan of termination began immediately after consummation of the transaction. The remaining balance of the restructuring reserve at December 31, 2003 of $2.5 million represents scheduled severance payments for employees.

The following table summarizes the activity in the Company's restructuring accrual subsequent to July 31, 2002:

		(in millions)
Accrual made as of July 31, 2002	$	10.2
Additional accrual		3.0
Payments made		(10.7)
Balance at December 31, 2003	$	2.5

15. Supplemental Information

The consolidated financial statement data, as of December 31, 2003 and 2002, for the year ended December 31, 2003 and for the period from inception to December 31, 2002 has been aggregated by entities that guarantee the Senior Subordinated Notes (the "Guarantors") and entities that do not guarantee the Senior Subordinated Notes (the "Non-Guarantors"). The Guarantors include WH Intermediate, Lux Holdings, Lux Intermediate, Lux CM (collectively, the "Parent Guarantors") and Herbalife International's operating subsidiaries in Brazil, Finland, Israel, Japan, Mexico, United Kingdom, U.S. (other than Herbalife Investment Co., LLC), Sweden, Taiwan and Thailand (collectively, the "Subsidiary Guarantors"). All other subsidiaries are Non-Guarantors. WH Holdings is not a guarantor of the Senior Subordinated Notes.

Consolidating condensed statements of income for year ended December 31, 2003 and the periods from January 1 to July 31, 2002, August 1 to December 31, 2002, and the year ended December 31, 2001 are summarized as follows: (in millions)

	Year Ended December 31, 2003						
(Successor)	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
Net sales	$ —	$ 126.4	$ 916.8	$ —	$ 273.2	$ (157.0)	$ 1,159.4
Cost of sales	—	25.2	232.1	—	134.6	(156.1)	235.8
Royalty overrides	—	4.1	249.2	—	162.1	—	415.4
Marketing, distribution & administrative expenses	40.3	6.0	272.7	0.4	81.8	—	401.2
Equity in subsidiary (income) loss	(76.6)	(42.9)	(2.1)	(43.6)	—	165.2	—
Interest expense—net	34.9	0.2	(0.1)	6.4	0.1	—	41.5
Intercompany charges	(25.1)	90.2	67.2	—	(132.3)	—	—
Income before income taxes and minority interest	26.5	43.6	97.8	36.8	26.9	(166.1)	65.5
Income taxes	(16.2)	—	35.9	—	9.2	(0.2)	28.7
NET INCOME	$ 42.7	$ 43.6	$ 61.9	$ 36.8	$ 17.7	$ (165.9)	$ 36.8

	August 1 to December 31, 2002						
(Successor)	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
Net sales	$ —	$ —	$ 386.1	$ —	$ 101.3	$ (37.9)	$ 449.5
Cost of sales	—	—	86.8	—	46.5	(38.3)	95.0
Royalty overrides	—	—	103.9	—	56.0	—	159.9
Marketing, distribution & administrative expenses	4.1	—	95.7	0.2	35.5	—	135.5
Acquisition transaction expenses	—	—	—	6.2	—	—	6.2
Equity in subsidiary (income) loss	(37.1)	(32.0)	(0.3)	(22.9)	—	92.3	—
Interest expense—net	22.6	—	(1.1)	2.4	—	—	23.9
Intercompany charges	(4.8)	—	45.5	—	(41.0)	0.3	—
Income before income taxes and minority interest	15.2	32.0	55.6	14.1	4.3	(92.2)	29.0
Income taxes	(16.7)	9.1	21.2	(0.1)	1.5	—	15.0
Income before minority interest	31.9	22.9	34.4	14.2	2.8	(92.2)	14.0
Minority interest	—	—	—	—	—	—	—
NET INCOME	$ 31.9	$ 22.9	$ 34.4	$ 14.2	$ 2.8	$ (92.2)	$ 14.0

(Predecessor)	January 1 to July 31, 2002 Herbalife International, Inc.	Subsidiary guarantors	Non-guarantors	Eliminations	Total consolidated
Net sales	$ —	$ 551.3	$ 142.5	$ (49.6)	$ 644.2
Cost of sales	—	128.1	63.2	(50.7)	140.6
Royalty overrides	—	147.3	79.9	—	227.2
Marketing, distribution & administrative expenses	(0.8)	165.9	42.3	—	207.4
Acquisition transaction expenses	54.7	—	—	—	54.7
Equity in subsidiary (income) loss	(36.4)	(0.5)	—	36.9	—
Interest expense—net	—	(1.8)	0.4	—	(1.4)
Intercompany charges	(7.5)	62.9	(55.4)	—	—
Income before income taxes and minority interest	(10.0)	49.4	12.1	(35.8)	15.7
Income taxes	(18.6)	19.9	5.0	—	6.3
Income before minority interest	8.6	29.5	7.1	(35.8)	9.4
Minority interest	—	0.2	—	—	0.2
NET INCOME	$ 8.6	$ 29.3	$ 7.1	$ (35.8)	$ 9.2

(Predecessor)	Year Ended December 31, 2001 Herbalife International, Inc.	Subsidiary guarantors	Non-guarantors	Eliminations	Total consolidated
Net sales	$ —	$ 877.8	$ 218.3	$ (76.0)	$ 1,020.1
Cost of sales	—	216.9	97.0	(72.4)	241.5
Royalty overrides	—	238.8	116.4	—	355.2
Marketing, distribution & administrative expenses	0.4	281.2	73.0	—	354.6
Acquisition transaction expenses	—	—	—	—	—
Equity in subsidiary (income) loss	(43.4)	(0.8)	—	44.2	—
Interest expense—net	—	(3.4)	—	—	(3.4)
Intercompany charges	(6.4)	76.5	(70.0)	(0.1)	—
Income before income taxes and minority interest	49.4	68.6	1.9	(47.7)	72.2
Income taxes	2.5	22.6	3.8	—	28.9
Income before minority interest	46.9	46.0	(1.9)	(47.7)	43.3
Minority interest	—	0.7	—	—	0.7
NET INCOME	$ 46.9	$ 45.3	$ (1.9)	$ (47.7)	$ 42.6

15. Supplemental Information

Consolidating condensed balance sheet data as of December 31, 2003 and as of December 31, 2002 is summarized as follows: (in millions)

	December 31, 2003						
	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
CURRENT ASSETS:							
Cash and marketable securities	$ 0.1	$ 13.8	$ 92.5	$ 9.4	$ 40.6	$ —	$ 156.4
Receivables	—	—	23.0	1.5	7.5	—	32.0
Intercompany receivables	196.7	(23.3)	(89.4)	—	(84.0)	—	—
Inventories	—	26.0	23.9	—	15.0	(5.5)	59.4
Other current assets	(2.5)	2.2	26.9	—	3.4	—	30.0
Total current assets	194.3	18.7	76.9	10.9	(17.5)	(5.5)	277.8
Property, net	0.3	2.1	37.7	—	5.3	—	45.4
OTHER NON-CURRENT ASSETS	448.9	65.8	129.8	238.7	68.5	(370.9)	580.8
TOTAL ASSETS	$ 643.5	$ 86.6	$ 244.4	$ 249.6	$ 56.3	$ (376.4)	$ 904.0
CURRENT LIABILITIES:							
Accounts payable	$ —	$ 8.2	$ 10.4	$ 0.1	$ 3.8	$ —	$ 22.5
Royalties overrides	—	0.7	45.7	—	30.1	—	76.5
Accrued compensation and expenses	8.7	10.2	44.7	—	15.2	—	78.8
Other current liabilities	41.1	0.4	55.6	(0.2)	1.5	—	98.4
Total current liabilities	49.8	19.5	156.4	(0.1)	50.6	—	276.2
NON-CURRENT LIABILITIES	351.9	0.3	(0.9)	38.0	0.7	—	390.0
MINORITY INTEREST	—	—	—	—	—	—	—
SHAREHOLDERS' EQUITY	241.8	66.8	88.9	211.7	5.0	(376.4)	237.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 643.5	$ 86.6	$ 244.4	$ 249.6	$ 56.3	$ (376.4)	$ 904.0

	December 31, 2002						
	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
CURRENT ASSETS:							
Cash and marketable securities	$ 0.3	$ —	$ 39.6	$ 10.6	$ 25.5	$ —	$ 76.0
Receivables	—	—	24.0	0.2	5.7	(0.9)	29.0
Intercompany receivables	141.8	—	(75.9)	—	(65.9)	—	—
Inventories	—	—	46.2	—	15.2	(4.5)	56.9
Other current assets	0.2	0.2	38.2	—	18.6	(14.4)	42.8
Total current assets	142.3	0.2	72.1	10.8	(0.9)	(19.8)	204.7
Property, net	—	—	37.4	—	8.7	—	46.1
OTHER NON-CURRENT ASSETS	394.3	32.0	195.3	218.0	55.2	(289.9)	604.9
TOTAL ASSETS	$ 536.6	$ 32.2	$ 304.8	$ 228.8	$ 63.0	$ (309.7)	$ 855.7
CURRENT LIABILITIES:							
Accounts payable	$ —	$ —	$ 16.9	$ 0.7	$ 4.9	$ (0.9)	$ 21.6
Royalties overrides	—	—	46.5	—	22.6	—	69.1
Accrued compensation and expenses	12.1	—	42.7	—	15.0	—	69.8
Other current liabilities	(14.8)	9.3	41.7	(0.2)	15.6	(14.6)	37.0
Total current liabilities	(2.7)	9.3	147.8	0.5	58.1	(15.5)	197.5
NON-CURRENT LIABILITIES	409.1	—	19.7	36.7	1.4	—	466.9
MINORITY INTEREST	—	—	—	—	—	—	—
SHAREHOLDERS' EQUITY	130.2	22.9	137.3	191.6	3.5	(294.2)	191.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 536.6	$ 32.2	$ 304.8	$ 228.8	$ 63.0	$ (309.7)	$ 855.7

Consolidating condensed statement of cash flows data year ended December 31, 2003, the periods of January 1 to July 31, 2002 and August 1 to December 31, 2002, and the year ended December 31, 2001 is summarized as follows: (in millions)

	December 31, 2003						
(Successor)	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
Net cash provided by (used in) operating activities	$ 43.5	$ 57.0	$ 98.7	$ 37.3	$ 32.7	$ (174.6)	$ 94.6
Net cash provided by (used in) investing activities	(22.8)	(45.9)	1.5	(38.9)	(2.7)	111.7	2.9
Net cash provided by (used in) financing activities	(21.0)	—	(48.5)	5.3	(17.5)	62.9	(18.8)
Effect of exchange rate changes on cash	—	2.6	2.6	—	2.6	—	7.8
Cash at beginning of period	0.5	—	38.2	—	25.5	—	64.2
Cash at end of period	$ 0.2	$ 13.7	$ 92.5	$ 3.7	$ 40.6	$ —	$ 150.7

(Successor)	Herbalife International, Inc.	Parent guarantors	Subsidiary guarantors	WH Holdings (Cayman Islands) Ltd. non-guarantor	Non-guarantors	Eliminations	Total consolidated
	August 1 to December 31, 2002						
Net cash provided by (used in) operating activities	$ 208.3	$ 32.0	$ (136.3)	$ (8.3)	$ 7.5	$ (75.1)	$ 28.1
Net cash provided by (used in) investing activities	(684.8)	(32.0)	181.8	(203.2)	22.7	259.5	(456.0)
Net cash provided by (used in) financing activities	477.0	—	(7.4)	211.5	(5.2)	(184.4)	491.5
Effect of exchange rate changes on cash	—	—	0.1	—	0.5	—	0.6
Cash at beginning of period	—	—	—	—	—	—	—
Cash at end of period	$ 0.5	$ —	$ 38.2	$ —	$ 25.5	$ —	$ 64.2

(Predecessor)	Herbalife International, Inc.	Subsidiary guarantors	Non-guarantors	Eliminations	Total consolidated
	January 1 to July 31, 2002				
Net cash provided by (used in) operating activities	$ 32.0	$ 46.9	$ (2.1)	$ (38.9)	$ 37.9
Net cash provided by (used in) investing activities	(10.5)	26.9	1.3	1.3	19.0
Net cash provided by (used in) financing activities	(21.5)	(40.4)	(11.0)	37.6	(35.3)
Effect of exchange rate changes on cash	—	(0.6)	1.6	—	1.0
Cash at beginning of period	0.2	145.3	33.7	—	179.2
Cash at end of period	$ 0.2	$ 178.1	$ 23.5	$ —	$ 201.8

	Herbalife International, Inc.	Subsidiary guarantors	Non-guarantors	Eliminations	Total consolidated
	Year Ended December 31, 2001				
Net cash provided by (used in) operating activities	$ 46.3	$ 110.6	$ 10.1	$ (71.5)	$ 95.5
Net cash provided by (used in) investing activities	(45.1)	89.8	(2.4)	(58.7)	(16.4)
Net cash provided by (used in) financing activities	(1.2)	(120.8)	(11.7)	130.2	(3.5)
Effect of exchange rate changes on cash	—	(4.5)	(2.2)	—	(6.7)
Cash at beginning of period	0.2	70.2	39.9	—	110.3
Cash at end of period	$ 0.2	$ 145.3	$ 33.7	$ —	$ 179.2

16. Quarterly Information (Unaudited)

	2002	2003 (Successor)
First Quarter Ended March 31		
Net sales	$ 265.8	$ 280.0
Gross profit	208.7	223.1
Net income	19.9	16.9
Earnings per share		
Basic	$ 0.62	—
Diluted	$ 0.60	$ 0.16
Second Quarter Ended June 30		
Net sales	$ 282.0	$ 288.9
Gross profit	219.3	230.5
Net income	13.4	17.2
Earnings per share		
Basic	$ 0.41	—
Diluted	$ 0.39	$ 0.16
Third Quarter Ended September 30		
Net sales		$ 290.4
Gross profit		231.4
Net income		1.7
Earnings per share		
Basic		—
Diluted		$ 0.02
July 1 To July 31 (Predecessor)		
Net sales	$ 96.4	
Gross profit	75.7	
Net loss	(24.1)	
Earnings per share		
Basic	$ (0.73)	
Diluted	$ (0.70)	
August 1 To September 30 (Successor)		
Net sales	$ 176.2	
Gross profit	138.0	
Net loss	(1.2)	
Earnings per share		
Basic	—	
Diluted	$ (0.01)	
Fourth Quarter Ended December 31 (Successor)		
Net sales	$ 273.3	$ 300.1
Gross profit	216.5	238.7
Net income	15.2	1.1
Earnings per share		
Basic	—	—
Diluted	$ 0.15	$ 0.01

17. Subsequent Events

On March 8, 2004, Herbalife and its wholly-owned subsidiary WH Capital Corporation completed a $275 million offering of $9^1/2$% Notes due 2011 (the "$9^1/2$% Notes"). The proceeds of the offering together with available cash were used to pay the original issue price in cash due upon conversion of 104.1 million outstanding Herbalife convertible preferred shares including 2.0 million warrants exercised in connection with this offering, including all accrued and unpaid dividends, to redeem Herbalife's 15.5% Senior Notes and to pay related fees and expenses. Interest on the $9^1/2$% Notes will be paid in cash semi-annually in arrear on April 1 and October 1 of each year, starting on October 1, 2004. The $9^1/2$% Notes are Herbalife's general unsecured obligations, ranking equally with any of the existing and future senior indebtedness and senior to all of Herbalife's future subordinated indebtedness. Also, the $9^1/2$% Notes are effectively subordinated to all existing and future indebtedness and other liabilities of Herbalife's subsidiaries.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	December 31, 2003	September 30, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 150,679,000	$ 164,669,000
Restricted cash	5,701,000	—
Receivables net of allowance for doubtful accounts of $2,527,000 (2003) and $4,680,000 (2004), and including related party receivables of $323,000 (2003)	31,977,000	33,408,000
Inventories	59,397,000	77,751,000
Prepaid expenses and other current assets	20,825,000	30,606,000
Deferred income taxes	9,164,000	2,661,000
Total current assets	277,743,000	309,095,000
Property, at cost, net of accumulated depreciation and amortization of $17,607,000 (2003) and $25,529,000 (2004)	45,411,000	49,788,000
Deferred compensation plan assets	21,340,000	19,564,000
Other assets	5,795,000	6,603,000
Deferred financing costs, net of accumulated amortization of $10,266,000 (2003) and $14,876,000 (2004)	33,278,000	29,103,000
Marketing franchise	310,000,000	310,000,000
Distributor network, net of accumulated amortization of $26,539,000 (2003) and $40,589,000 (2004)	29,661,000	15,611,000
Product certification, product formulae and other intangible assets, net of accumulated amortization of $9,491,000 (2003) and $13,917,000 (2004)	13,219,000	8,861,000
Goodwill	167,517,000	167,517,000
TOTAL	$ 903,964,000	$ 916,142,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 22,526,000	$ 21,413,000
Royalty overrides	76,522,000	75,984,000
Accrued compensation	19,127,000	22,714,000
Accrued expenses	59,669,000	85,554,000
Current portion of long term debt	72,377,000	22,411,000
Advance sales deposits	6,574,000	13,401,000
Income taxes payable	19,427,000	32,016,000
Total current liabilities	$ 276,222,000	$ 273,493,000
NON-CURRENT LIABILITIES:		
Long term debt, net of current portion, including related party debt of $23,700,000 (2003) and $5,808,000 (2004)	252,917,000	479,328,000
Deferred compensation	22,442,000	13,706,000
Deferred income taxes	111,910,000	105,798,000
Other non-current liabilities	2,685,000	2,611,000
Total liabilities	$ 666,176,000	$ 874,936,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred shares, $0.001 par value (aggregate liquidation preference $446,241,000 (2003)), 12% Series A Cumulative and Convertible, 106,000,000 (2003) shares authorized, 102,013,572 (2003) shares issued and outstanding	$ 102,000	—
Common shares, $0.001 par value, 350,000,000 shares authorized, 104,888,588 (2004) shares issued and outstanding	—	$ 105,000
Paid-in-capital in excess of par value	183,407,000	2,486,000
Accumulated other comprehensive income	3,427,000	3,169,000
Retained earnings	50,852,000	35,446,000
Total shareholders' equity	$ 237,788,000	$ 41,206,000
TOTAL	$ 903,964,000	$ 916,142,000

See the accompanying notes to consolidated financial statements

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Nine Months Ended	
	September 30, 2003	September 30 2004
Product sales	$ 737,899,000	$ 831,329,000
Handling & freight income	121,409,000	136,692,000
Net sales	859,308,000	968,021,000
Cost of sales	174,349,000	198,824,000
Gross profit	684,959,000	769,197,000
Royalty overrides	307,962,000	342,366,000
Marketing, distribution & administrative expenses (including $7,127,000 and $5,171,000 of related party expenses for the nine months ended September 30, 2003 and 2004, respectively)	282,190,000	315,811,000
Operating income	94,807,000	111,020,000
Interest expense—net	31,606,000	55,233,000
Income before income taxes	63,201,000	55,787,000
Income taxes	27,418,000	32,693,000
NET INCOME	$ 35,783,000	$ 23,094,000
Earnings per share:		
Basic	$ —	$ 0.22
Diluted	$ 0.34	$ 0.21
Weighted average shares outstanding		
Basic	—	104,242,000
Diluted	106,265,000	110,492,000
Pro-forma earnings per share:		
Basic		
Diluted		
Pro-forma weighted average shares:		
Basic		
Diluted		

See the accompanying notes to consolidated financial statements

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

	Preferred Stock	Common Stock	Paid in Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Comprehensive Income
Balance at December 31, 2003	$ 102,000	$ —	$ 183,407,000	$ 3,427,000	$ 50,852,000	$ 237,788,000	
Redemption of 102,013,572 preferred shares	(102,000)		(183,013,000)			(183,115,000)	
Issuance of 104,054,388 common shares		104,000	(104,000)				
Issuance of 834,200 common shares from the exercise of stock options		1,000	760,000			761,000	
Additional capital from stock options			1,436,000			1,436,000	
Dividends paid					(38,500,000)	(38,500,000)	
Net income					23,094,000	23,094,000	$ 23,094,000
Translation adjustments				(1,656,000)		(1,656,000)	(1,656,000)
Unrealized gain on derivatives				3,162,000		3,162,000	3,162,000
Reclassification adjustments for loss on derivative instruments				(1,764,000)		(1,764,000)	(1,764,000)
Total comprehensive income							$ 22,836,000
Balance at September 30, 2004	$ —	$ 105,000	$ 2,486,000	$ 3,169,000	$ 35,446,000	$ 41,206,000	

See the accompanying notes to consolidated financial statements.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
	September 30, 2003	September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 35,784,000	$ 23,094,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,953,000	34,287,000
Amortization and discount of deferred financing costs	5,927,000	5,213,000
Deferred income taxes	1,539,000	491,000
Unrealized foreign exchange loss	1,534,000	389,000
Write-off of deferred financing costs and unamortized discounts	1,368,000	4,077,000
Other	1,506,000	1,743,000
Changes in operating assets and liabilities:		
Receivables	(7,301,000)	(1,355,000)
Inventories	6,008,000	(18,991,000)
Prepaid expenses and other current assets	4,000	(8,087,000)
Accounts payable	(702,000)	(1,052,000)
Royalty overrides	3,739,000	286,000
Accrued expenses and accrued compensation	(9,140,000)	30,068,000
Advance sales deposits	1,745,000	6,894,000
Income taxes payable	(2,961,000)	12,660,000
Deferred compensation liability	(9,948,000)	(8,736,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	73,055,000	80,981,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(9,509,000)	(16,810,000)
Proceeds from sale of property	39,000	27,000
Changes in marketable securities, net	1,280,000	—
Net change in restricted cash	3,621,000	5,701,000
Changes in other assets	(245,000)	(3,723,000)
Deferred compensation plan assets	10,868,000	1,776,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,054,000	(13,029,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on Preferred Shares	—	(38,500,000)
Issuance of 15.5% Senior Notes and 9 1/2% Notes	872,000	267,437,000
Borrowings from long-term debt	3,603,000	1,709,000
Principal payments on long-term debt	(15,483,000)	(59,072,000)
Redemption of Preferred Shares	—	(183,115,000)
Proceeds from issuance of Common Shares	4,505,000	—
Repurchase of 15.5% Senior Notes	(5,681,000)	(39,644,000)
Exercise of Stock Options	—	761,000
NET CASH USED IN FINANCING ACTIVITIES	(12,184,000)	(50,424,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,930,000	(3,539,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	70,855,000	13,989,000
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	64,201,000	150,679,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 135,056,000	$ 164,668,000
CASH PAID FOR:		
Interest	$ 32,318,000	$ 38,646,000
Income taxes	$ 29,114,000	$ 20,930,000
NON-CASH ACTIVITIES:		
Acquisitions of property through capital leases	$ 5,876,000	$ 3,871,000

See the accompanying notes to consolidated financial statements

1. ORGANIZATION AND RECAPITALIZATION

Organization

WH Holdings (Cayman Islands) Ltd., a Cayman Islands exempted limited liability company ("Herbalife"), incorporated on April 4, 2002, and its direct and indirect wholly owned subsidiaries, WH Intermediate Holdings Ltd., a Cayman Islands company ("WH Intermediate"), WH Luxembourg Holdings S.à.R.L., a Luxembourg unipersonal limited liability company ("Lux Holdings"), WH Luxembourg CM S.à.R.L., a Luxembourg unipersonal limited liability company, and WH Acquisition Corp., a Nevada corporation ("WH Acquisition"), were formed on behalf of Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate"), in order to acquire Herbalife International, Inc., a Nevada corporation, and its subsidiaries ("Herbalife International") on July 31, 2002 (the "Acquisition"). Herbalife and its subsidiaries are referred to collectively herein as the Company.

Recapitalization

On October 1, 2004, Herbalife filed a registration statement with the U.S. Securities and Exchange Commission (the "SEC") in connection with an initial public offering (the "IPO"). Herbalife plans to change its name to Herbalife Ltd. prior to the effectiveness of the registration statement. Herbalife is offering its common shares as part of a series of recapitalization transactions that it anticipates closing in connection with the consummation of the IPO as follows:

- a tender offer for any and all of the outstanding $11^3/4$% senior subordinated notes due 2010, issued by Herbalife International, which is referred to as the $11^3/4$% Notes, and related consent solicitation to amend the indenture governing the $11^3/4$% Notes;
- the redemption of 40% of its outstanding $9^1/2$% notes due 2011, which is referred to as the $9^1/2$% Notes;
- the replacement of Herbalife International's existing $205.0 million senior credit facility with a new $225.0 million senior credit facility; and
- the payment of a $200.0 million special cash dividend to the current shareholders of Herbalife. The new purchasers of Herbalife common shares in the IPO will not be entitled to participate in this special cash dividend.

The closing of the IPO is conditioned upon the closing of Herbalife International's new senior credit facility and the receipt by Herbalife International of tenders from holders of at least a majority of the outstanding aggregate principal amount of the $11^3/4$% Notes.

2. BASIS OF PRESENTATION

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the SEC's Regulation S-X. Accordingly, it does not include all of the information required by generally accepted accounting principles for complete financial statements. The Company's financial statements as of and for the nine months ended September 30, 2004 include Herbalife and all of its direct and indirect subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's financial statements as of September 30, 2004 and for the nine months ended September 30, 2003 and September 30, 2004. Operating results for the nine months ended September 30, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

Reclassifications

Certain reclassifications were made to the prior period financial statements to conform to current period presentation.

3. TRANSACTIONS WITH RELATED PARTIES

The Company has entered into agreements with Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate") to pay monitoring fees for their management and other services and to pay certain other expenses. Under the monitoring fee agreements, the Company is obligated to pay an annual aggregate amount of up to $5.0 million, but not less than $2.5 million, to Whitney and Golden Gate, for an initial period of ten years subject to the provisions in Herbalife International's amended and restated credit agreement (the "Credit Agreement"). For the nine months ended September 23, 2003, and September 30, 2004, the Company expensed monitoring fees in the amount of $3.8 million for both periods and other expenses of $3.4 million and $1.3 million, respectively. As of September 30, 2004, Whitney affiliated companies held $4.8 millionof the outstanding term loan balance under the Credit Agreement and senior executives of Whitney held $1.0 million of the $11^{3}/4$% Notes. Also, in March 2004, Herbalife redeemed $17.4 million of the 15.5% Senior Notes due 2011 held by certain Whitney affiliated companies and paid an additional $5.0 million repurchase premium and $0.5 million in accrued interest.

Whitney and Golden Gate (and/or their affiliates) were and are parties to a Share Purchase Agreement (the "Share Purchase Agreement") pursuant to which they originally purchased the Company's Preferred Shares. Under the terms of the Share Purchase Agreement, Whitney and Golden Gate can, subject to approval by the Company's board of directors and 75% of its shareholders, require the Company to pay a dividend to all of its shareholders related to certain income that may be taxable to them resulting from their ownership of the Company's shares. The Company has recently completed its analysis with regard to this potential payment and based on this analysis, the Company may be required to make a $1.4 million payment to its shareholders related to certain income that may be taxable to them for the year ended December 31, 2003. In addition, the Company may be required to make a payment to its shareholders related to certain income that may be taxable to them for the year ended December 31, 2004. The Company has not yet determined the amount, if any, that could be payable in connection with the 2004 taxes. Both amounts would become distributable to the shareholders if and when the board of directors and 75% of the Company's shareholders approve the payment of these amounts. As of the date of this filing, the Company's board of directors has not made a determination to make these distributions. If and when such a determination is made, these amounts will be recorded as dividends.

4. LONG TERM DEBT

Long term debt consisted of the following (in millions):

	December 31, 2003	September 30, 2004
$11^{3}/4$% Notes	$ 158.2	$ 158.3
Borrowing under senior credit facility	119.8	66.7
15.5% Senior Notes	39.6	—
Discount—15.5% Senior Notes warrant	(1.6)	—
9.5% Notes	—	267.9
Capital leases	5.5	6.7
Other debt	3.8	2.1
	325.3	501.7
Less: current portion	72.4	22.4
	$ 252.9	$ 479.3

In March 2004, the Company and its lenders amended the Credit Agreement. Under the terms of the amendment, the Company made a prepayment of $40.0 million to reduce outstanding amounts under the Credit Agreement. In connection with this prepayment, the lenders under the Credit Agreement waived the March 31, 2004 mandatory amortization payment of $6.5 million along with a mandatory 50% excess cash flow payment for the year ended December 31, 2003. The amendment also lowered the interest rate to LIBOR plus a 2.5% margin, increased the capital spending allowance under the Credit Agreement and permitted Herbalife to complete a recapitalization. The schedule of the principal payments was also modified so that the Company was obligated to pay approximately $4.4 million on March 31, 2004 and in each subsequent quarter through June 30, 2008.

In March 2004, Herbalife and its wholly-owned subsidiary WH Capital Corporation completed a $275.0 million offering of $9^{1}/2$% Notes due 2011. The proceeds of the offering together with available cash were used to pay the original issue price in cash due upon conversion of 104.1 million outstanding Herbalife 12% Series A Cumulative Convertible preferred shares including 2.0 million warrants exercised as described below, to pay all accrued and unpaid dividends, to redeem Herbalife's 15.5% Senior Notes and to pay related fees and expenses. The total price of $52.1 million to redeem the 15.5% Senior Notes consisted of $39.6 million aggregate principal amount (excluding $1.7 million of unamortized discount), an $11.4 million purchase premium and $1.1 million of accrued interest from January 1, 2004 up to (but not including) March 8, 2004. At any time after July 31, 2002 and on or before July 15, 2012, warrants issued with the 15.5% Senior Notes could be exercised to purchase an equivalent amount of preferred stock at an exercise price of $0.01 per share. The number of warrants outstanding after July 31, 2002 and exercised on March 8, 2004 to purchase an equivalent amount of preferred shares was 2,040,816. The proceeds of the $9^{1}/2$% Notes were used in part to redeem and convert these preferred shares into common shares. Interest on the $9^{1}/2$% Notes will be paid in cash semi-annually in arrears on April 1 and October 1 of each year, starting on October 1, 2004. The $9^{1}/2$% Notes are Herbalife's general unsecured obligations, ranking equally with any of the existing and future senior indebtedness and senior to all of Herbalife's future subordinated indebtedness. Also, the $9^{1}/2$% Notes are effectively subordinated to all existing and future indebtedness and other liabilities of Herbalife's subsidiaries.

5. CONTINGENCIES

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

Herbalife International was a defendant in a purported class action lawsuit in the U.S. District Court of California (*Jacobs v. Herbalife International, Inc., et al*) originally filed on February 19, 2002 challenging marketing practices of several distributors and Herbalife International under various state and federal laws. Without in any way admitting liability or wrongdoing, the Company has reached a binding settlement with the plaintiffs. Under the terms of the settlement, the Company (i) paid $3 million into a fund to be distributed to former Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter, (ii) will pay up to a maximum aggregate amount of $1 million, refund to former Supervisor-level distributors the amounts they had paid to purchase such Newest Way to Wealth materials from the other defendants in this matter, and (iii) offer rebates up to a maximum aggregate amount of $2 million, on certain new purchases of Herbalife products to those current Supervisor-level distributors who had purchased Newest Way to Wealth materials from the other defendants in this matter. As of December 31, 2003, these amounts were adequately reserved for in the Company's financial statements.

Herbalife International and certain of its distributors have been named as defendants in a purported class action lawsuit filed July 16, 2003 in the Circuit Court of Ohio County in the State of West Virginia (*Mey v. Herbalife International, Inc., et al*). Herbalife International had removed the lawsuit to federal court and the court has recently remanded the lawsuit to state court. The complaint alleges that certain telemarketing practices of certain Herbalife International distributors violate the Telephone Consumer Protection Act, and seeks to hold Herbalife International liable for the practices of its distributors. More specifically, the plaintiffs' complaint alleges that several of Herbalife's distributors used pre-recorded telephone messages and autodialers to contact prospective customers in violation of the TCPA's prohibition of such practices. Herbalife's distributors are independent contractors and, if any such distributors in fact violated the TCPA, they also violated Herbalife's policies, which require its distributors to comply with all applicable federal, state and local laws. The Company believes that it has meritorious defenses to the suit.

As a marketer of dietary and nutritional supplements and other products that are ingested by consumers or applied to their bodies, the Company has been subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of $10.0 million.

Certain of our subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The aggregate amount of assessed taxes, penalties and interest to date is approximately $34.0 million. We and our tax advisors believe that there are meritorious defenses to the allegations that additional taxes are owing, and we are vigorously contesting the additional proposed taxes and related charges.

These matters may take several years to resolve, and the Company cannot be sure of their ultimate resolution. However, it is the opinion of management that adverse outcomes, if any, will not likely result in a material adverse effect on our financial condition or operating results. This opinion is based on our belief that any losses we suffer in excess of amounts reserved would not be material, and that we have meritorious defenses. Although we have reserved an amount that we believe represents the most likely outcome of the resolution of these disputes, if we are incorrect in our assessment we may have to pay the full amount assessed.

6. COMPREHENSIVE INCOME

Comprehensive income is summarized as follows (in millions):

	Nine Months Ended	
	September 30, 2003	September 30, 2004
Net income	$ 35.8	$ 23.1
Unrealized gain (loss) on derivatives, net of tax	(3.4)	3.2
Reclassification adjustments for gain (loss) on derivatives, net of tax	3.2	(1.8)
Foreign currency translation adjustment, net of tax	3.0	(1.7)
Comprehensive income	$ 38.6	$ 22.8

The net change on derivative instruments represents the fair value of changes caused by marking to market these instruments on September 30, 2004. Foreign currency translation adjustment, net of tax measures the impact of converting primarily foreign currency assets and liabilities of foreign subsidiaries into U.S. dollars.

7. SEGMENT INFORMATION

The Company is a network marketing company that sells a wide range of weight management products, nutritional supplements and personal care products within one reportable segment as defined under Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's products are primarily manufactured by third party providers and then sold to independent distributors who sell Herbalife products to retail consumers or other distributors.

The Company sells products in 59 countries throughout the world and is organized and managed by geographic region. In the first quarter of 2003, the Company elected to aggregate its operating segments into one reporting segment, as management believes that the Company's operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar with regard to the nature of the products sold, the product acquisition process, the types of customers products are sold to, the methods used to distribute the products, and the nature of the regulatory environment.

Revenue reflects direct sales of products to distributors based on the distributors' geographic location. Sales attributed to the United States are the same as reported in the geographic operating information.

The Company's geographic operating information and sales by product line are as follows:

(in millions)	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
Net Sales:		
United States	$ 204.6	$ 194.9
Japan	90.2	73.9
Others	564.5	699.2
Total Net Sales	$ 859.3	$ 968.0
Operating Margin:		
United States	$ 84.8	$ 77.2
Japan	43.5	39.3
Others	248.7	310.3
Total Operating Margin*	$ 377.0	$ 426.8
Marketing, distribution, and administrative expense	$ 282.2	$ 315.8
Interest expense (income), net	31.6	55.2
Income before income taxes	63.2	55.8
Income taxes	27.4	32.7
Net Income	$ 35.8	$ 23.1
Net sales by product line:		
Weight management	$ 371.5	$ 419.5
Inner nutrition	374.9	415.9
Outer Nutrition®	75.9	86.0
Literature, promotional and other	37.0	46.6
Total Net Sales	$ 859.3	$ 968.0
Net sales by geographic region:		
The Americas	$ 312.1	$ 343.5
Europe	337.1	401.6
Asia/Pacific Rim	120.0	149.0
Japan	90.1	73.9
Total Net Sales	$ 859.3	$ 968.0

	December 31, 2003	September 30, 2004
Total Assets:		
United States	$ 601.0	$ 574.5
Japan	62.9	55.5
Others	240.1	286.1
Total Assets	$ 904.0	$ 916.1

* Non-U.S. royalty checks that have aged, for a variety of reasons, beyond a certainty of being paid, are taken back into income. Management has calculated this period of certainty to be three years worldwide, whereas previously this period varied by country, ranging from 12 months to 30 years. In order to achieve consistency among all countries, the Company adjusted the period over which such amounts would be taken into income to three years on a Company-wide basis. The impact of this change for the nine months ended September 30, 2004 is a pretax benefit of approximately $2.4 million.

8. STOCK BASED COMPENSATION

The Company has two stock based employee compensation plans which are the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan ("The Management Plan") and the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Incentive Plan ("The Independent Directors Plan"). The Management Plan provides for the grant of options to purchase common shares of Herbalife to members of the Company's management. The Independent Directors Plan provides for the grant of options to purchase common shares of Herbalife to the Company's independent directors.

The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations including the Financial Accounting Standards Board ("FASB") Interpretation No. 44,*Accounting for Certain Transactions involving Stock Compensation, an interpretation of APB Opinion No. 25*, issued in March 2000, to account for its stock option plans. Under this method, compensation expense is recorded on the date of grant only if the then current market price of the underlying stock exceeds the exercise price. SFAS 123, *Accounting for Stock Based Compensation,* established accounting and disclosure requirements using a fair-value-based method of accounting for stock based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS 123.

The following table illustrates the effect on net income if the fair-value-based method had been applied to all outstanding and vested awards in each period:

(in millions)	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
Net income as reported	$ 35.8	$ 23.1
Add: Stock-based employee compensation expense included in reported net income, net of tax	0.3	0.8
Deduct: Stock-based employee compensation expense determined under fair value based methods for all awards, net of tax	(0.9)	(1.9)
Pro forma net income	$ 35.2	$ 22.0

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company designates certain derivatives as cash flow hedges. The Company engages in a foreign exchange hedging strategy for which the hedged transactions are forecasted foreign currency denominated intercompany transactions. The hedged risk is the variability of the foreign currency where the hedging strategy involves the purchase and sale of average rate options. For the outstanding cash flow hedges on foreign exchange exposures at September 30, 2003 and September 30, 2004, the maximum length of time over which the Company is hedging these exposures is approximately one year. The Company also engages in an interest rate hedging strategy for which the hedged transactions are forecasted interest payments on the variable rate term loan. The hedged risk is the variability of interest rate where the hedging strategy involves the purchase of interest rate caps. There is no ineffective portion for the nine months ended September 30, 2003 and September 30, 2004. For all qualifying and highly effective cash flow hedges, the changes in the effective portion of the fair value of the derivative are recorded in other comprehensive income ("OCI"). At September 30, 2004, the OCI balance was zero.

10. RESTRUCTURING RESERVE

As of the date of the Acquisition, as defined herein, the Company implemented a plan to reduce costs of the business and recorded a severance and restructuring accrual as part of the cost of the Acquisition. The accrued severance is for identified employees including executives, corporate functions and administrative support.

The following table summarizes the activity in the Company's restructuring accrual (in millions):

Balance at December 31, 2003	$ 2.5
Additional accrual	—
Cash payments	(1.5)
Balance at September 30, 2004	$ 1.0

The Company expects to pay these restructuring costs through 2005.

11. SUPPLEMENTAL INFORMATION

The consolidated financial statement data as of September 30, 2004, and for the nine months ended September 30, 2003 and September 30, 2004, have been aggregated by entities that guarantee the $11^{3}/4$% Notes (the "Guarantors") and entities that do not guarantee the $11^{3}/4$% Notes (the "Non-Guarantors"). The Guarantors include WH Intermediate Holdings Ltd. ("WH Intermediate"), WH Luxembourg Holdings S.à.R.L., ("Lux Holdings"), WH Luxembourg Intermediate Holdings S.à.R.L. ("Lux Intermediate"), Herbalife International Luxembourg S.à.R.L. ("Herbalife Lux") formerly known as WH Luxembourg CM S.à.R.L. (collectively, the "Parent Guarantors") and Herbalife's operating subsidiaries in Brazil, Finland, Israel, Japan, Mexico, United Kingdom, U.S. (except for Herbalife Investment Co., LLC), Sweden, Taiwan and Thailand (collectively, the "Subsidiary Guarantors"). All other subsidiaries are Non-Guarantors. Herbalife International is the issuer of the $11^{3}/4$% Notes.

Herbalife is the issuer of the $9^{1}/2$% Notes but is not a Guarantor of the $11^{3}/4$% Notes. Obligations under the $9^{1}/2$% Notes are not guaranteed by any of our subsidiaries. However, under certain circumstances in the future, our subsidiaries may be required to guarantee the $9^{1}/2$% Notes. Consolidating condensed unaudited statements of income for Guarantors and Non-Guarantors for the nine months ended September 30, 2003 and September 30, 2004 are summarized as follows (in millions):

	Nine Months Ended September 30, 2003						
	WH Holdings (Cayman Islands) Ltd.	**Parent Guarantors**	**Herbalife International, Inc.**	**Subsidiary Guarantors**	**Non-Guarantors**	**Eliminations**	**Total Consolidated**
Net sales	$ —	$ —	$ —	$ 749.4	$ 198.2	$ (88.3)	$ 859.3
Cost of sales	—	—	—	166.1	97.5	(89.3)	174.3
Royalty overrides	—	—	—	189.6	118.4	—	308.0
Marketing, distribution & administrative expenses	0.3	1.4	32.6	190.1	57.8	—	282.2
Equity in subsidiary (income) loss	(41.2)	(42.9)	(77.4)	(1.7)	—	163.2	—
Interest expense—net	5.0	—	27.3	(0.7)	—	—	31.6
Intercompany charges	—	—	(7.6)	103.9	(96.3)	—	—
Income before income taxes	35.9	41.5	25.1	102.1	20.8	(162.2)	63.2
Income tax expense (benefit)	—	—	(17.5)	38.9	6.0	—	27.4
NET INCOME (LOSS)	$ 35.9	$ 41.5	$ 42.6	$ 63.2	$ 14.8	$ (162.2)	$ 35.8

	Nine Months Ended September 30, 2004						
	WH Holdings (Cayman Islands) Ltd.	Parent Guarantors	Herbalife International, Inc.	Subsidiary Guarantors	Non-Guarantors	Eliminations	Total Consolidated
Net sales	$ —	$ 443.5	$ —	$ 448.0	$ 271.2	$ (194.7)	$ 968.0
Cost of sales	—	96.5	—	149.9	138.9	(186.5)	198.8
Royalty overrides	—	13.2	—	181.3	147.9	—	342.4
Marketing, distribution & administrative expenses	0.1	10.2	21.5	221.0	63.0	—	315.8
Equity in subsidiary (income) loss	(55.2)	(49.8)	(20.0)	(2.6)	—	127.6	—
Interest expense—net	31.8	0.8	22.0	2.7	(2.1)	—	55.2
Intercompany charges	—	317.3	(90.7)	(119.5)	(107.1)	—	—
Income before income taxes	23.3	55.3	67.2	15.2	30.6	(135.8)	55.8
Income tax expense (benefit)	—	0.1	18.4	5.7	8.5	—	32.7
NET INCOME (LOSS)	$ 23.3	$ 55.2	$ 48.8	$ 9.5	$ 22.1	$ (135.8)	$ 23.1

Consolidating condensed unaudited balance sheet data for Guarantors and Non-Guarantors as of September 30, 2004 and December 31, 2003 are summarized as follows (in millions):

	September 30, 2004						
	WH Holdings (Cayman Islands) Ltd.	Parent Guarantors	Herbalife International, Inc.	Subsidiary Guarantors	Non-Guarantors	Eliminations	Total Consolidated
CURRENT ASSETS:							
Cash and marketable securities	$ 2.7	$ 5.2	$ 0.1	$ 112.0	$ 44.7	$ —	$ 164.7
Receivables	1.1	0.4	6.5	21.2	10.7	(6.5)	33.4
Intercompany receivables (payables)	—	(14.1)	226.3	(140.9)	(71.3)	—	—
Inventories	—	33.6	—	38.0	20.0	(13.8)	77.8
Other current assets	—	14.0	1.3	14.3	3.6	—	33.2
Total current assets	3.8	39.1	234.2	44.6	7.7	(20.3)	309.1
Property net	—	1.7	0.6	42.1	5.4	—	49.8
OTHER NON-CURRENT ASSETS	250.6	115.7	421.4	136.9	69.1	(436.5)	557.2
TOTAL ASSETS	$ 254.4	$ 156.5	$ 656.2	$ 223.6	$ 82.2	$ (456.8)	$ 916.1
CURRENT LIABILITIES:							
Accounts payable	$ —	$ 9.7	$ —	$ 9.0	$ 2.7	$ —	$ 21.4
Royalties overrides	—	1.3	—	45.2	29.5	—	76.0
Accrued compensation and expenses	14.7	18.9	3.9	51.3	19.4	—	108.2
Other current liabilities	(0.2)	5.6	13.9	47.7	7.1	(6.3)	67.8
Total current liabilities	14.5	35.5	17.8	153.2	58.7	(6.3)	273.4
NON-CURRENT LIABILITIES	267.9	(0.5)	347.8	(14.4)	0.7	—	601.5
STOCKHOLDER'S EQUITY	(28.0)	121.5	290.6	84.8	22.8	(450.5)	41.2
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	$ 254.4	$ 156.5	$ 656.2	$ 223.6	$ 82.2	$ (456.8)	$ 916.1

	December 31, 2003						
	WH Holdings (Cayman Islands) Ltd.	Parent Guarantors	Herbalife International Inc.	Subsidiary Guarantors	Non-Guarantors	Eliminations	Total Consolidated
CURRENT ASSETS:							
Cash and marketable securities	$ 9.4	$ 13.8	$ 0.1	$ 92.5	$ 40.6	$ —	$ 156.4
Receivables	1.5	—	—	23.0	7.5	—	32.0
Intercompany receivables (payables)	—	(23.3)	196.7	(89.4)	(84.0)	—	—
Inventories	—	26.0	—	23.9	15.0	(5.5)	59.4
Other current assets	—	2.2	(2.5)	26.9	3.4	—	30.0
Total current assets	10.9	18.7	194.3	76.9	(17.5)	(5.5)	277.8
Property, net	—	2.1	0.3	37.7	5.3	—	45.4
OTHER NON-CURRENT ASSETS	238.7	65.8	448.9	129.8	68.5	(370.9)	580.8
TOTAL ASSETS	$ 249.6	$ 86.6	$ 643.5	$ 244.4	$ 56.3	$ (376.4)	$ 904.0
CURRENT LIABILITIES:							
Accounts payable	$ 0.1	$ 8.2	$ —	$ 10.4	$ 3.8	$ —	$ 22.5
Royalties overrides	—	0.7	—	45.7	30.1	—	76.5
Accrued compensation and expenses	—	10.2	8.7	44.7	15.2	—	78.8
Other current liabilities	(0.2)	0.4	41.1	55.6	1.5	—	98.4
Total current liabilities	(0.1)	19.5	49.8	156.4	50.6	—	276.2
NON-CURRENT LIABILITIES	38.0	0.3	351.9	(0.9)	0.7	—	390.0
STOCKHOLDER'S EQUITY	211.7	66.8	241.8	88.9	5.0	(376.4)	237.8
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	$ 249.6	$ 86.6	$ 643.5	$ 244.4	$ 56.3	$ (376.4)	$ 904.0

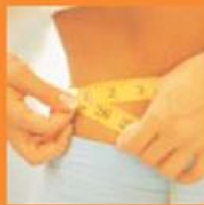
Consolidating condensed unaudited statement of cash flows data for Guarantors and Non-Guarantors for the nine months ended September 30, 2003 and September 30, 2004 is summarized as follows (in millions):

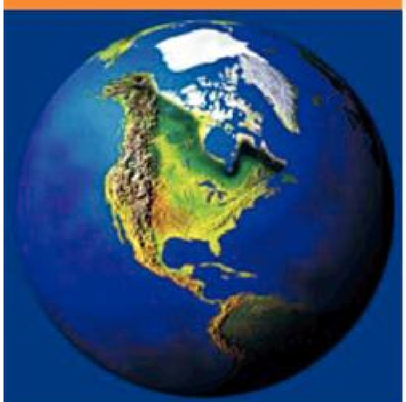
	Nine Months Ended September 30, 2003						
	WH Holdings (Cayman Islands) Ltd.	Parent Guarantors	Herbalife International, Inc.	Subsidiary Guarantors	Non-Guarantors	Eliminations	Total Consolidated
Net cash provided by (used in) operating activities	$ 36.4	$ 61.4	$ 106.7	$ 45.5	$ 31.9	$ (208.8)	$ 73.1
Net cash provided by (used in) investing activities	(37.3)	(43.3)	(52.6)	(0.2)	(2.1)	141.6	6.1
Net cash provided by (used in) financing activities	5.5	—	(54.4)	(14.7)	(15.9)	67.3	(12.2)
Effect of exchange rate changes on cash	—	—	—	2.0	1.9	—	3.9
Cash at beginning of period	—	0.1	0.4	38.3	25.5	(0.1)	64.2
Cash at end of period	$ 4.6	$ 18.2	$ 0.1	$ 70.9	$ 41.3	$ —	$ 135.1

	Nine Months Ended September 30, 2004						
	WH Holdings (Cayman Islands) Ltd.	Parent Guarantors	Herbalife International, Inc.	Subsidiary Guarantors	Non-Guarantors	Eliminations	Total Consolidated
Net cash provided by (used in) operating activities	$ 0.4	$ 42.2	$ 48.0	$ 71.8	$ 10.2	$ (91.6)	$ 81.0
Net cash provided by (used in) investing activities	(8.5)	(48.6)	5.0	(21.1)	(2.4)	62.6	(13.0)
Net cash provided by (used in) financing activities	7.0	—	(53.0)	(30.7)	(2.7)	29.0	(50.4)
Effect of exchange rate changes on cash	—	(2.2)	—	(0.4)	(1.0)	—	(3.6)
Cash at beginning of period	3.7	13.8	0.1	92.5	40.6	—	150.7
Cash at end of period	$ 2.6	$ 5.2	$ 0.1	$ 112.1	$ 44.7	$ —	$ 164.7

12. PRO FORMA SEPTEMBER 30, 2004 EARNINGS PER SHARE

The pro forma earnings per share for the nine months ended September 30, 2004 reflects the effect of the $200 million shareholder dividend on earnings per share, assuming that a number of shares sufficient to raise $200 million were outstanding during the reporting period. This dividend is expected to be payable upon the closing of the Company's proposed initial public offering of common shares with a corresponding reduction of shareholders' equity. The pro forma earnings per share does not reflect any other adjustments related to the proposed offering.





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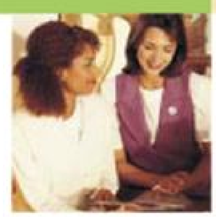

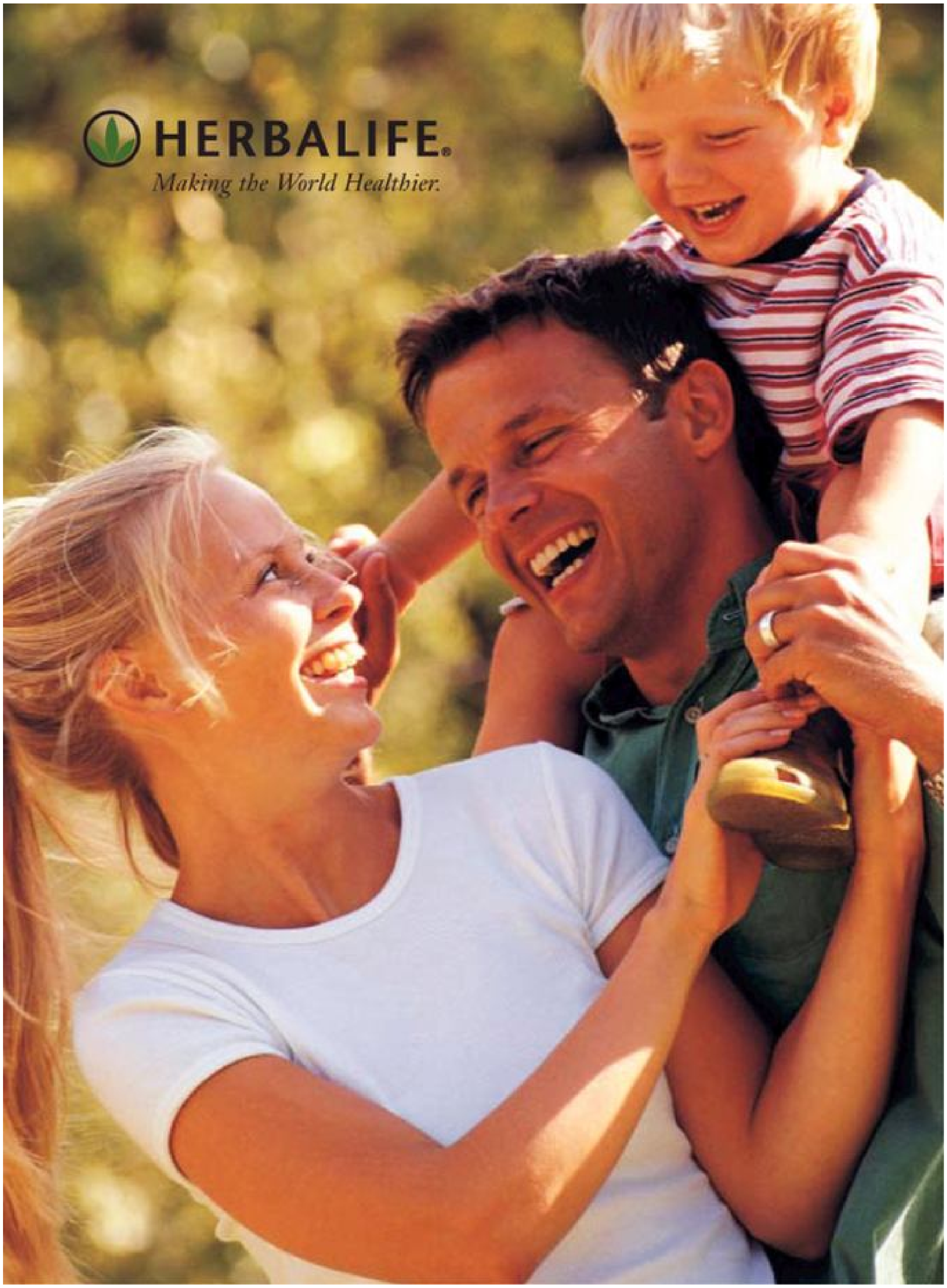

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses, other than underwriting discounts and commissions, payable by the registrant in connection with the sale of the common shares being registered. All amounts shown are estimates except for the registration fee and the NASD filing fee.

	Amount to be Paid
SEC registration fee	$ *
NASD filing fee	$ *
NYSE listing fees	$ *
Printing and engraving	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses (including legal fees)	*
Transfer agent and registrar fees	*
Miscellaneous	*

Total	$ *

* To be completed by amendment.

Item 14. Indemnification of Officers and Directors.

The memorandum and articles of association of WH Holdings (Cayman Islands) Ltd. ("Herbalife") provide that, to the fullest extent permitted by the Companies Law (2004 Revision), every director, agent or officer of Herbalife shall be indemnified out of the assets of Herbalife against any liability incurred by him as a result of any act or failure to act in carrying out his functions other than such liability (if any) that he may incur by his own willful misconduct. To the fullest extent permitted by the Statute, such director, agent or officer shall not be liable to Herbalife for any loss or damage in carrying out his functions unless the liability arises through the willful misconduct of such director, agent or officer.

In addition, the board resolutions of Herbalife provide for the indemnification of its directors and officers against any claims arising out of or relating to (a) the preparation, filing and distribution of this registration statement or the prospectus contained in this registration statement, (b) the issue and exchange of the exchange guarantee or the exchange Notes, (c) the exchange offer and (d) any activities that the directors and officers deem necessary or advisable to carry out the intent and purposes of the resolutions. The resolutions also expressly authorize Herbalife to indemnify their directors and officers to the fullest extent permitted by law.

Herbalife is a Cayman Islands exempted limited liability company. As such, it is governed by the laws of the Cayman Islands with respect to the indemnification provisions. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except in the case of (a) any fraud or dishonesty of such director or officer, (b) such director's or officer's conscious, intentional or wilful breach of his obligation to act honestly, lawfully and in good faith with a view to the best interests of the Company, or (c) any claims or rights of action to recover any gain, personal profit, or other advantage to which the director or officer is not legally entitled.

Herbalife intends to enter into an indemnity agreement with each of its directors and officers to supplement the indemnification protection available under its articles of association. These indemnity agreements will generally provide that we will indemnify the parties thereto to the fullest extent permitted by law.

The foregoing summaries are necessarily subject to the complete text of Herbalife's articles of association and the indemnity agreements referred to above and are qualified in their entirety by reference thereto.

Liability Insurance Covering Directors and Officers

In addition to the indemnification provisions set forth above, Holdings maintains insurance policies that indemnify its directors and officers against various liabilities arising under the Securities Act of 1933 and the Securities Exchange Act of 1934 that might be incurred by any director or officer in his capacity as such.

Item 15. Recent Sales of Unregistered Securities.

Since the date of our formation through the date hereof, we have issued and sold the following unregistered securities:

Option Grants and Option Exercises

We have granted options to purchase 20,541,095 common shares to employees, officers and directors under the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan at exercise prices ranging from $0.44 to $12.50 per share. During the same period, we issued and sold 834,200 common shares pursuant to exercises of options granted under this plan at prices ranging from $0.44 to $1.76 per share.

We have granted options to purchase 800,000 common shares to our independent directors under the Independent Directors' Stock Option Plan of WH Holdings (Cayman Islands) Ltd. at exercise prices ranging from $0.44 to $1.76 per share. During the same period, we have not issued nor sold any common shares pursuant to exercises of options granted under this plan.

All of these grants were made to our employees, officers, or directors under written compensatory benefit plans within the limits on the amount of securities than can be issued under Rule 701 promulgated under Section 3(b) of the Securities Act. Accordingly, these grants and sales were deemed to be exempt from registration under the Securities Act in reliance on Rule 701 of the Securities Act.

Warrants

On July 31, 2002, in connection with the issuance of the Company's 12% Series A Cumulative Convertible Preferred Shares (the "Preferred Shares"), the Company issued warrants to purchase an aggregate of 2,040,816 Preferred Shares at an exercise price of $0.01 per share to GarMark Partners, L.P. ("GarMark"), Whitney Private Debt Fund ("Whitney Debt Fund") and Green River Offshore Fund ("Green River"). GarMark received a warrant to purchase 1,149,302 Preferred Shares, Whitney Private Debt Fund received a warrant to purchase 805,585 Preferred Shares and Green River received a warrant to purchase 85,929 Preferred Shares.

12% Series A Cumulative Convertible Preferred Shares

Beginning on the date of our formation and over the course of several installments, we issued and sold 100,000,000 12% Series A Cumulative Convertible Preferred Shares to the Equity Sponsors and their affiliates, certain members of our management, and selected distributors at a price of $1.76 per share. Eighteen Chairman's Club members and 108 distributors purchased the 12% Series A Cumulative

Convertible Preferred shares. Of the 108 distributors, three subsequently became Chairman's Club members.

On May 30, 2003, we issued and sold 1,089,952 12% Series A Cumulative Convertible Preferred Shares to members of our Chairman's Club at a price of $2.21 per share.

On June 24, 2003, we issued and sold 203,620 12% Series A Cumulative Convertible Preferred Shares to Michael O. Johnson, our Chief Executive Director, at a price of $2.21 per share.

On March 8, 2004, Whitney Debt Fund exercised its warrant to purchase 805,585 Preferred Shares for an aggregate exercise price of $8,055.85 and Green River exercised its warrant to purchase 85,929 Preferred Shares for an aggregate exercise price of $859.29.

On March 8, 2004, each outstanding Preferred Share (or an aggregate of approximately 102,905,086 Preferred Shares) automatically, and without any action on the part of the Company's shareholders, converted into one common share and $1.76 cash, plus accrued and unpaid dividends (or an aggregate of 102,905,086 common shares and $219.2 million in cash), in accordance with our memorandum and articles of association and Cayman Islands law as a consequence of the consummation of the offering of our 9 1/2% Notes. While we do not believe that this conversion constituted a "sale" of securities within the meaning of the Securities Act, if the conversion were determined to be such a sale, we believe that it would be deemed exempt from the registration requirements of the Securities Act by virtue of Section 4(2), as discussed below, and Section 3(a)(9) as an exchange of one security for another of the same issuer for no additional consideration and no commission or other remuneration was paid or given, directly or indirectly, for soliciting such exchange.

On March 8, 2004, GarMark entered into an exchange agreement providing for the exchange of its warrant to purchase 1,149,302 Preferred Shares for 1,149,302 common shares and $2.0 million in cash. The exchange of GarMark's warrant to purchase Preferred Shares for common shares and cash was made in reliance upon Section 3(a)(9) of the Securities Act as an exchange of one security for another of the same issuer for no additional consideration and no commission or other remuneration was paid or given, directly or indirectly, for soliciting such exchange. In addition, this transaction was deemed to be exempt from registration under the securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering, as described in more detail below.

9^{1}/2% Notes due April 1, 2011

On March 8, 2004, we issued 9^{1}/2% Notes due April 1, 2011 in the aggregate principal amount of $275,000,000 to UBS Securities LLC, as initial purchaser, at a cash purchase price equal to 97.25% of their principal amount. These securities were issued in a transaction by an issuer not involving any public offering and thereby exempt from the registration requirements in reliance on Section 4(2) of the Securities Act. The 9^{1}/2% Notes due April 1, 2011 were sold to "qualified institution buyers" within the meaning Rule 144A of the Securities Act, without any general advertising or solicitation, or were sold in sales occurring outside the United States within the meaning of Rule 901 of Regulation S. All such sales were thereby deemed to be exempt from the registration requirements of the Securities Act in reliance on Rule 144A of the Securities Act or Rule 901 of Regulation S. The foregoing securities are deemed restricted securities for purposes of the Securities Act.

Except as noted otherwise, the issuance of securities described in this Item 15 were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. The sale of these securities were made without general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
2.1**	Agreement and Plan of Merger, dated April 10, 2002, by and among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd. and WH Acquisition Corp.
3.1**	Amended and Restated Memorandum and Articles of Association of WH Holdings (Cayman Islands) Ltd.
4.1**	Indenture, dated as of June 27, 2002 between WH Acquisition Corp., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and The Bank of New York as Trustee governing $11^{3}/4$% Senior Subordinated Notes due 2010
4.2**	Indenture, dated as of March 8, 2004 between WH Holdings (Cayman Islands) Ltd., WH Capital Corporation and The Bank of New York as trustee governing $9^{1}/2$% Notes due 2011
5.1*	Opinion of Gibson Dunn & Crutcher, LLP, special U.S. counsel to the Registrant
5.2*	Opinion of Maples and Calder, special Cayman Islands Counsel to WH Holdings (Cayman Islands) Ltd.
9.1**	Shareholders' Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates—QP, LLC, CCG Associates—AI, LLC, CCG Investment Fund—AI, L.P., CCG AV, LLC-Series C, CCG AV, LLC-Series E, and certain other persons
9.2**	Institutional Shareholders' Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, L.P., CCG AV, LLC-Series C, CCG AV, LLC-Series E, and certain other persons
10.1**	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International Inc.
10.2**	Office lease agreement between Herbalife International of America Inc. and State Teacher's Retirement System, dated July 11, 1995
10.3**	Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended
10.4**	Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended
10.5**	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996
10.6**	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended
10.7**	Trust Agreement for Herbalife 2001 Executive Retention Plan, effective March 15, 2001
10.8**	Herbalife 2001 Executive Retention Plan, effective March 15, 2001

10.9**	Separation Agreement and General Release, dated as of May 17, 2002, between Robert Sandler and Herbalife International, Inc. and Herbalife International of America, Inc. and Clarification
10.10**	Agreement for Retention of Legal Services, dated as of May 20, 2002, by and among Herbalife International, Inc., Herbalife International of America, Inc. and Robert A. Sandler
10.11**	Purchase Agreement, dated as of June 21, 2002, by and among WH Acquisition Corp., Herbalife International, Inc., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and UBS Warburg LLC
10.12**	Registration Rights Agreement, dated as of June 27, 2002, by and among WH Acquisition Corp., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and UBS Warburg LLC
10.13**	Credit Agreement, dated as of July 31, 2002, by and among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and the Subsidiary Guarantors party thereto, and certain lenders and agents named therein
10.14**	Security Agreement, dated as of July 31, 2002, by Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Herbalife SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and the Subsidiary Guarantors party thereto in favor of UBS AG, Stamford Branch, as Collateral Agent
10.15**	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor
10.16**	Monitoring Fee Agreement dated as of July 31, 2002, between Herbalife International, Inc. and Whitney & Co., LLC
10.17**	Monitoring Fee Agreement dated as of July 31, 2002, between Herbalife International, Inc. and GGC Administration, LLC
10.18**	Indemnity Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., WH Acquisition Corp., Whitney & Co., LLC, Whitney V, L.P., Whitney Strategic Partners V, L.P., GGC Administration, L.L.C., Golden Gate Private Equity, Inc., CCG Investments (BVI), L.P., CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG Associates-QP, LLC and WH Investments Ltd.
10.19**	Independent Director's Stock Option Plan of WH Holdings (Cayman Islands) Ltd.
10.20**	Amendment No. 1 to Credit Agreement dated as of December 18, 2002, among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and each of the Subsidiary Guarantors listed therein, the Lenders party thereto and UBS AG, Stamford Branch
10.21**	Employment Agreement, dated as of March 10, 2003 between Brian Kane and Herbalife International, Inc. and Herbalife International of America, Inc.
10.22**	Employment Agreement dated as of March 10, 2003 between Carol Hannah and Herbalife International, Inc. and Herbalife International of America, Inc.
10.23**	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Brian Kane

10.24**	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Carol Hannah
10.25**	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003
10.26**	Side Letter Agreement dated as of March 10, 2003 by and among WH Holdings (Cayman Islands) Ltd., Brian Kane and Carol Hannah and the Shareholders listed therein
10.27**	Employment Agreement dated as of April 3, 2003 between Michael O. Johnson and Herbalife International, Inc. and Herbalife International of America, Inc.
10.28**	Non-Statutory Stock Option Agreement, dated as of April 3, 2003 between WH Holdings (Cayman Islands) Ltd. and Michael O. Johnson
10.29**	Side Letter Agreement dated as of April 3, 2003 by and among WH Holdings (Cayman Islands) Ltd., Michael O. Johnson and the Shareholders listed therein
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10.32**	Employment Agreement dated October 6, 2003 between Brett R. Chapman and Herbalife International of America, Inc.
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10.34**	Form of Non-Statutory Stock Option Agreement (Executive Agreement)
10.35**	Registration Rights Agreement, dated as of March 8, 2004, by and among WH Holdings (Cayman Islands) Ltd., WH Capital Corporation and UBS Securities, LLC
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10.38**	Stock Subscription Agreement of WH Capital Corporation, dated as of February 9, 2004, between WH Capital Corporation and WH Holdings (Cayman Islands) Ltd.
10.39**	First Amendment to Amended and Restated WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, dated November 5, 2003
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10.43**	Purchase Agreement, dated March 3, 2004, by and among WH Holdings (Cayman Islands) Ltd., WH Capital Corporation and UBS Securities LLC
10.44	Registration Rights Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, L.P., CCG AV, LLC-Series C and CCG AV, LLC-Series E.

10.45	Share Purchase Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney Strategic Partners V, L.P., WH Investments Ltd., Whitney V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C and CCG AV, LLC-Series E.
21.1**	List of subsidiaries of WH Holdings (Cayman Islands) Ltd.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
23.3*	Consent of Gibson Dunn & Crutcher, LLP (Included in Exhibit 5.1 hereto)
23.4*	Consent of Maples and Calder (Included in Exhibit 5.2 hereto)
24.1**	Power of Attorney of WH Holdings (Cayman Islands) Ltd.

* To be filed by amendment

** Previously filed as an Exhibit of like number to the Company's registration statement on Form S-1 (File No. 333-119485) and incorporated herein by reference.

Item 17. Undertakings

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Los Angeles, state of California, on November 9, 2004.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

By: /s/ BRETT R. CHAPMAN

Brett R. Chapman
General Counsel

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* Michael O. Johnson	Director, Chief Executive Officer *(Principal Executive Officer)*	November 9, 2004
* Richard Goudis	Chief Financial Officer *(Principal Financial Officer)*	November 9, 2004
* David Pezzullo	Chief Accounting Officer *(Principal Accounting Officer)*	November 9, 2004
* Peter Castleman	Director, Chairman of the Board	November 9, 2004
* Henry Burdick	Director, Vice Chairman	November 9, 2004
* Ken Diekroeger	Director	November 9, 2004
* James Fordyce	Director	November 9, 2004

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Charles Orr	Director	November 9, 2004
*		
Jesse Rogers	Director	November 9, 2004
*		
Leslie Stanford	Director	November 9, 2004
*		
Markus Lehmann	Director	November 9, 2004

*By: /s/ BRETT R. CHAPMAN

Brett R. Chapman
as Attorney-in-fact

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
2.1**	Agreement and Plan of Merger, dated April 10, 2002, by and among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd. and WH Acquisition Corp.
3.1**	Amended and Restated Memorandum and Articles of Association of WH Holdings (Cayman Islands) Ltd.
4.1**	Indenture, dated as of June 27, 2002 between WH Acquisition Corp., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and The Bank of New York as Trustee governing $11^{3}/4$% Senior Subordinated Notes due 2010
4.2**	Indenture, dated as of March 8, 2004 between WH Holdings (Cayman Islands) Ltd., WH Capital Corporation and The Bank of New York as trustee governing $9^{1}/2$% Notes due 2011
5.1*	Opinion of Gibson Dunn & Crutcher, LLP, special U.S. counsel to the Registrant
5.2*	Opinion of Maples and Calder, special Cayman Islands Counsel to WH Holdings (Cayman Islands) Ltd.
9.1**	Shareholders' Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates—QP, LLC, CCG Associates—AI, LLC, CCG Investment Fund—AI, L.P., CCG AV, LLC-Series C, CCG AV, LLC-Series E, and certain other persons
9.2**	Institutional Shareholders' Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, L.P., CCG AV, LLC-Series C, CCG AV, LLC-Series E, and certain other persons
10.1**	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International Inc.
10.2**	Office lease agreement between Herbalife International of America Inc. and State Teacher's Retirement System, dated July 11, 1995
10.3**	Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended
10.4**	Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended
10.5**	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996
10.6**	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended
10.7**	Trust Agreement for Herbalife 2001 Executive Retention Plan, effective March 15, 2001
10.8**	Herbalife 2001 Executive Retention Plan, effective March 15, 2001
10.9**	Separation Agreement and General Release, dated as of May 17, 2002, between Robert Sandler and Herbalife International, Inc. and Herbalife International of America, Inc. and Clarification

10.10**	Agreement for Retention of Legal Services, dated as of May 20, 2002, by and among Herbalife International, Inc., Herbalife International of America, Inc. and Robert A. Sandler
10.11**	Purchase Agreement, dated as of June 21, 2002, by and among WH Acquisition Corp., Herbalife International, Inc., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and UBS Warburg LLC
10.12**	Registration Rights Agreement, dated as of June 27, 2002, by and among WH Acquisition Corp., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and UBS Warburg LLC
10.13**	Credit Agreement, dated as of July 31, 2002, by and among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and the Subsidiary Guarantors party thereto, and certain lenders and agents named therein
10.14**	Security Agreement, dated as of July 31, 2002, by Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Herbalife SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and the Subsidiary Guarantors party thereto in favor of UBS AG, Stamford Branch, as Collateral Agent
10.15**	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor
10.16**	Monitoring Fee Agreement dated as of July 31, 2002, between Herbalife International, Inc. and Whitney & Co., LLC
10.17**	Monitoring Fee Agreement dated as of July 31, 2002, between Herbalife International, Inc. and GGC Administration, LLC
10.18**	Indemnity Agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., WH Acquisition Corp., Whitney & Co., LLC, Whitney V, L.P., Whitney Strategic Partners V, L.P., GGC Administration, L.L.C., Golden Gate Private Equity, Inc., CCG Investments (BVI), L.P., CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG Associates-QP, LLC and WH Investments Ltd.
10.19**	Independent Director's Stock Option Plan of WH Holdings (Cayman Islands) Ltd.
10.20**	Amendment No. 1 to Credit Agreement dated as of December 18, 2002, among Herbalife International, Inc., WH Holdings (Cayman Islands) Ltd., WH Intermediate Holdings Ltd., WH Luxembourg Holdings SàRL, WH Luxembourg Intermediate Holdings SàRL, WH Luxembourg CM SàRL and each of the Subsidiary Guarantors listed therein, the Lenders party thereto and UBS AG, Stamford Branch
10.21**	Employment Agreement, dated as of March 10, 2003 between Brian Kane and Herbalife International, Inc. and Herbalife International of America, Inc.
10.22**	Employment Agreement dated as of March 10, 2003 between Carol Hannah and Herbalife International, Inc. and Herbalife International of America, Inc.
10.23**	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Brian Kane
10.24**	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Carol Hannah

10.25**	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003
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* To be filed by amendment

** Previously filed as an Exhibit of like number to the Company's registration statement on Form S-1 (File No. 333-119485) and incorporated herein by reference.

QuickLinks

Exhibit 10.44

REGISTRATION RIGHTS AGREEMENT

AGREEMENT (this "***Agreement***"), dated as of July 31, 2002, by and among WH HOLDINGS (CAYMAN ISLANDS) LTD. (the "***Company***"), a Cayman Islands company, WHITNEY V, L.P., a Delaware limited partnership, WHITNEY STRATEGIC PARTNERS V, L.P., a Delaware limited partnership and WH INVESTMENTS LTD., a Cayman Islands company (together, "***Whitney V***"), and CCG INVESTMENTS (BVI), L.P., a British Virgin Islands limited partnership, CCG ASSOCIATES-QP, LLC, a Delaware limited liability company, CCG ASSOCIATES-AI, LLC, a Delaware limited liability company, CCG INVESTMENT FUND-AI, LP, a Delaware liability partnership, CCG AV, LLC—SERIES C, a Delaware limited liability company and CCG AV, LLC—SERIES E, a Delaware limited liability company (collectively, "***Golden Gate Fund***" and together with Whitney V, the "***Purchasers***"), and the other shareholders of the Company who from time to time are signatories to this Agreement (the "***Other Shareholders***").

WITNESSETH:

WHEREAS, pursuant to the terms of the Share Purchase Agreement (the "***Purchase Agreement***"), dated as of the date hereof, by and among the Company, Whitney V and Golden Gate Fund, (i) Whitney V will purchase from the Company certain shares (the "***Whitney V Shares***") of 12% Series A Cumulative Convertible Preferred Shares, $0.001 par value per share, of the Company ("***Preferred Shares***") and (ii) Golden Gate Fund will purchase from the Company certain Preferred Shares ("***Golden Gate Shares***").

WHEREAS, as a condition precedent to the Purchasers consummating the transactions in the Purchase Agreement, the Company is required to duly execute and deliver this Agreement.

WHEREAS, it is the intention of the Purchasers and the Company that the Other Shareholders who purchase Preferred Shares ***("Other Shareholder Shares")*** shall be entitled to the benefits of this Agreement to the extent set forth herein.

WHEREAS, the Company and the other parties hereto desire to provide for the circumstances under which the Company will register securities of the Company on behalf of such other parties.

NOW, THEREFORE, as an inducement to the Purchasers to consummate the transactions contemplated by the Purchase Agreement and in consideration of the premises and of the mutual covenants and obligations hereinafter set forth, the Company hereby covenants and agrees with the other parties hereto, and with each subsequent holder of Restricted Securities (as such term is defined herein), as follows:

SECTION 1. ***Definitions.*** As used herein, the following terms shall have the following respective meanings:

"Affiliate" shall mean any Person who or which, directly or indirectly, through one or more intermediaries, controls or is under common control with, any specified person.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Charter" shall mean the Amended and Restated Articles and Memorandum of Association of the Company, as amended, in effect from time to time.

"Commission" shall mean the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act.

"Common Shares" shall mean, collectively, the shares of Common Shares, $0.001 par value per share, of the Company, and any class or series of Common Shares of the Company authorized after the date hereof, or any other class or series of shares resulting from successive changes or reclassifications of any class or series of Common Shares of the Company.

***"Exchange** Act"* shall mean the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Golden Gate Shares" shall have the meaning ascribed to such term in the first Whereas clause.

"Initial Public Offering" shall mean the underwritten public offering by the Company of its common shares pursuant to a registration statement (other than a registration statement relating solely to an employee benefit plan or transaction covered by Rule 145 of the Securities Act) that has been filed under the Securities Act and declared effective by the Commission.

"Institutional Investors" shall mean Golden Gate Fund, Whitney V and their Affiliates and any other institutional holder of Preferred Shares that is a direct transferee of either Whitney V or Golden Gate Fund or their Affiliates.

"Other Shareholder Shares" shall have the meaning ascribed to such term in the third Whereas clause.

"Registration Expenses" shall mean the expenses so described in Section 5 hereof.

"Restricted Securities" shall mean the Golden Gate Shares, the Whitney V Shares, the Other Shareholder Shares and the Restricted Shares.

"Restricted Shares" shall mean the shares of Common Shares into which the Whitney V Shares, Golden Gate Shares, Warrant Shares and Other Shareholder Shares are convertible, and any share capital or other securities issued or issuable with respect to such Whitney V Shares, Golden Gate Shares, Warrant Shares, Other Shareholder Shares or Common Shares by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, conversion, consolidation or other reorganization; provided that any Restricted Share will cease to be a Restricted Share upon distribution to any partner or member of any private equity fund or co-investment vehicle of any Purchaser.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean the expenses so described in Section 5 hereof.

"Threshold Amount" shall mean Institutional Investors holding at least 75% of the Restricted Shares then held by all Institutional Investors.

"Warrant Shares" shall mean the Preferred Shares issued or issuable upon exercise of the warrants granted in connection with the offering of the Company's Senior Notes.

"Whitney V Shares" shall have the meaning ascribed to such term in the first Whereas clause.

SECTION 2. ***Required Registration.*** (a) At any time a Threshold Amount of Institutional Investors may, by written notice, request that the Company register under the Securities Act all or any portion of the shares of Restricted Shares held by such requesting holders (or which would be held by such requesting holders, upon conversion of the Whitney V Shares or Golden Gate Shares owned by such requesting holders) for sale in the manner specified in such notice; *provided, however,* that the Company shall not be obligated to register Restricted Shares pursuant to such request: (i) subject to Section 3(a) below, during the period beginning 30 days prior to the filing, and ending on a date 90 days following the effective date, of a registration statement filed by the Company relating to an underwritten offering only of the Company's share capital (other than a registration statement for the Company's share capital which does not give rise to incidental registration rights pursuant to Section 3(a) below) provided that the Company is actively employing in good faith its best efforts to cause such registration statement to become effective; or (ii) if counsel to the Company opines in writing to the requesting holders that the filing of such a registration statement would require the disclosure of material non-public information about the Company that the Company is not otherwise required to disclose, the disclosure of which could have a material adverse effect on the business or financial condition of the Company, in which event no such registration statement need be filed until the earlier of the lapse of 60 days from the issuance of the opinion of Company counsel or such information is no longer required to be disclosed, is not material or non-public, or its disclosure would not have a material adverse effect on the business or financial condition of the Company; *provided, however,* that the Company may not exercise its right under this clause (ii) more than once in any 12-month period. Notwithstanding anything to the contrary contained herein, no request may be made under this Section 2 within 180 days after the effective date of a registration statement filed by the Company covering a firm commitment underwritten public offering in which the holders of Restricted Shares shall have been entitled to join pursuant to this Section 2 or Section 3 hereof and in which there shall have been effectively registered all shares of Restricted Shares as to which registration shall have been so requested.

(b) Promptly following receipt of any notice under this Section 2, the Company shall immediately notify all other Institutional Investors and, in the case of an Initial Public Offering, the Other Shareholders, from whom notice has not been received and shall file and use its best efforts to have declared effective a registration statement under the Securities Act for the public sale, in accordance with the method of disposition specified in such notice from the requesting holders, of the number of shares of Restricted Shares specified in such notice (and in any notices received from other Institutional Investors, or, as the case may be, Other Shareholders, which are holders of Restricted Shares within 20 days after the date of such notice from the Company). If such method of disposition shall be an underwritten public offering, the Threshold Amount of the Institutional Investors may designate the managing underwriter of such offering, subject to the approval of the Company, which approval shall not be unreasonably withheld. The number of shares of Restricted Shares to be included in such an underwriting may be reduced (*pro rata* among all holders requesting, under this Section 2, to participate in such registration) if and to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold therein. With respect to the preceding sentence, if the Company elects to reduce *pro rata* the amount of Restricted Shares proposed to be offered in the underwriting, for purposes of making any such reduction, each holder of Restricted Shares which is a partnership, together with the affiliates, partners, employees, retired partners and retired employees of such holder, the estates and family members of any such partners, employees, retired partners and retired employees and of their spouses, and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "person", and any *pro rata* reduction with respect to such "person" shall be based upon the aggregate number of shares of Restricted Shares owned by all entities and individuals included as such "person," as defined in this sentence (and the aggregate number so allocated to such "person" shall be allocated among the entities and individuals included in such "person" in such manner as such holders of Restricted Shares may reasonably determine). The Company shall be obligated to register Restricted Shares pursuant to requests made under this Section 2 on two occasions only; *provided, however,* that as to any such occasion such obligation shall be deemed satisfied only when a registration statement covering all shares of Restricted Shares specified in notices received as aforesaid, for sale in accordance with the method of disposition specified by the requesting holders, shall have become effective and, if such method of disposition is a firm commitment underwritten public offering, all such shares shall have been sold pursuant thereto.

(c) The Company shall be entitled to include in any registration statement referred to in this Section 2 for which the method of distribution is an underwritten public offering, for sale in accordance with the method of disposition specified by the requesting holders, shares of Common Shares to be sold by the Company for its own account, except as and to the extent that, in the opinion of the managing underwriter (if such method of disposition shall be an underwritten public offering), such inclusion would adversely affect the marketing of the Restricted Shares to be sold. Except in the case of an Initial Public Offering in Section 2(b), no securities shall be included in any registration statement referred to in this Section 2 without the prior written consent of the holders of a majority in interest of the Institutional Investors' Restricted Shares requested to be included in such registration. Except with respect to registration statements on Form S-8, the Company will not file with the Commission any other registration statement with respect to its Common Shares, whether for its own account or that of other shareholders, from the date of receipt of a notice from requesting holders pursuant to this Section 2 until the completion of the period of distribution of the registration contemplated thereby.

SECTION 3. ***Incidental Registration; Form S-3 Registration.*** (a) If the Company at any time (other than pursuant to Section 2 hereof, unless the consent required pursuant to Section 2(c) has been obtained) proposes to register any of its securities under the Securities Act for sale to the public, whether for its own account or for the account of other security holders or both (except with respect to registration statements on Form S-8 or another form, which is not available for registering Restricted Shares for sale to the public), each such time it will give prompt written notice to all holders of Restricted Shares of its intention to do so. Upon the written request of any such holder, given within 20 days after the date of any such notice, to register any of its Restricted Shares (which request shall state the intended method of disposition thereof), the Company will cause the Restricted Shares as to which registration shall have been so requested to be included in the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent requisite to permit the sale or other disposition by the holder (in accordance with its written request) of such Restricted Shares so registered; *provided, however,* that if an Institutional Investor remains a shareholder no holder who is not an Institutional Investor may require the Company to register Restricted Shares owned by such holder unless at least one Institutional Investor has made such request to register any of its Restricted Shares. The Company may withdraw any such registration statement before it becomes effective or postpone the offering of securities contemplated by such registration statement without any obligation to the holders of any Restricted Shares. In the event that any registration pursuant to this Section 3 shall be, in whole or in part, an underwritten public offering of Common Shares, such Restricted Shares shall be included in the underwriting on the same terms and conditions as the shares of Common Shares otherwise being sold through underwriters under such registration. The number of shares of Common Shares, including, without limitation Restricted Shares, to be included in such an underwriting may be reduced (pro rata among the requesting holders of Restricted Shares) if and to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein; *provided, however,* that if any shares are to be included in such underwriting for the account of any person other than the Company or any holder of Restricted Shares, the number of shares to be included by any such person shall be reduced first to zero, if necessary, before any Restricted Shares are reduced. With respect to the cutbacks described in the preceding sentence, if the Company elects to reduce pro rata the amount of Restricted Shares proposed to be offered in the underwriting for the accounts of holders of Restricted Shares, for purposes of making any such reduction, each holder of Restricted Shares which is a partnership, together with the affiliates, partners, employees, retired partners and retired employees of such holder, the estates and family members of any such partners, employees, retired partners and retired employees and of their spouses, and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "person," and any *pro rata* reduction with respect to such "person" shall be based upon the aggregate number of shares of Restricted Shares owned by all entities and individuals included as such "person", as defined in this sentence (and the aggregate number so allocated to such "person" shall be allocated among the entities and individuals included in such "person" in such manner as such holders of Restricted Shares may reasonably determine).

(b) If, at a time when Form S-3 is available for such registration, the Company shall receive from any Institutional Investor or Other Shareholder a written request or requests that the Company effect a registration on Form S-3 of any of such holder's Restricted Shares, the Company will promptly give written notice of the proposed registration to all other holders of Restricted Shares and, as soon as practicable, effect such registration and all such related qualifications and compliances as may be requested and as would permit or facilitate the sale and distribution of all Restricted Shares as are specified in such request and any written requests of other holders of Restricted Shares given within 20 days after receipt of such notice. The Company shall not be required to file a registration statement under Form S-3 if it would not be required to file a registration statement under Section 2 hereof pursuant to Section 2(a)(ii). The Company shall have no obligation to effect a registration under this Section 3(b) unless the aggregate offering price of the securities requested to be sold pursuant to such registration is, in the good faith judgment of the Company, expected to be equal to or greater than $10,000,000. Any registration under this Section 3(b) will not be counted as a registration under Section 2 above.

SECTION 4. ***Registration Procedures.*** If and whenever the Company is required by the provisions of Section 2 or 3 hereof to effect the registration of any Restricted Shares under the Securities Act, the Company will, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement (which, in the case of an underwritten public offering pursuant to Section 2 hereof, shall be on Form S-1 or other form of general applicability satisfactory to the managing underwriter selected as therein provided) with respect to such securities and use its best efforts to cause such registration statement to become and remain effective (provided that before filing a registration statement or any amendments or supplements thereto, the Company will furnish to the counsel selected by the Threshold Amount of the Institutional Investors and reasonably acceptable to the holders of a majority of the Restricted Shares covered by such registration statement copies of all such documents and include any comments of such counsel in such document) for the period of the distribution contemplated thereby (determined as hereinafter provided);

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period specified in Section 4 (a) above and as to comply with the provisions of the Securities Act with respect to the disposition of all Restricted Shares covered by such registration statement in accordance with the sellers' intended method of disposition set forth in such registration statement for such period;

(c) furnish to each seller and to each underwriter, without charge, such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus and any amendment or supplement thereto) and such other documents as such persons may reasonably request in order to facilitate the public sale or other disposition of the Restricted Shares covered by such registration statement in accordance with applicable law;

(d) use its commercially reasonable best efforts to register or qualify the Restricted Shares covered by such registration statement under the securities or blue sky laws of such United States jurisdictions as the sellers of Restricted Shares or, in the case of an underwritten public offering, the managing underwriter shall reasonably request in writing and do any and all other acts and things which are reasonably necessary or advisable in the good faith opinion of the Company (in reliance on the advice of counsel) to enable such seller to consummate the disposition in such United States jurisdictions of the Restricted Shares owned by such seller (provided that the

Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection or (ii) consent to general service of process (*i.e.*, service of process which is not limited solely to securities law violations) in any such jurisdiction;

(e) immediately notify each seller under such registration statement and each underwriter, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made and, at the request of any seller, the Company will promptly prepare a supplement or amendment to such registration statement so that, as thereafter delivered to the purchasers of such Restricted Shares, such registration statement will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(f) furnish, at the request of any seller, on the date that Restricted Shares are delivered to the underwriters for sale pursuant to such registration: (i) an opinion dated such date of counsel representing the Company for the purposes of such registration, addressed to the underwriters and to such seller, (A) stating that such registration statement has become effective under the Securities Act, (B) stating that, to the best knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act, (C) stating that the registration statement and the related prospectus, and each amendment or supplement thereof, comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder (except that such counsel need not express any opinion as to financial statements contained therein), (D) containing a 10b-5 and Section 11 opinion in customary form and (E) and to such other effects as may reasonably be requested by counsel for the underwriters or by such seller or its counsel, and (ii) a letter dated such date from the independent public accountants retained by the Company, addressed to the underwriters and to such seller, (A) stating that they are independent public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements of the Company included in the registration statement or the prospectus, or any amendment or supplement thereof, comply as to form in all material respects with the applicable accounting requirements of the Securities Act, and such letter shall additionally cover such other financial matters (including information as to the period ending no more than five business days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as such underwriters or such seller may reasonably request; and (B) containing "cold comfort" language covering such matters of the type customarily covered by "cold comfort" letters as the holders of a majority of the Restricted Shares being sold reasonably request;

(g) make available for inspection by the representatives of the holders of a majority of the Restricted Shares being sold, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by such seller or underwriter, all relevant financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees, public accountants, attorneys and financial advisors to supply all information reasonably requested by or on behalf of any such seller, underwriter, attorney or accountant in connection with such registration statement all during normal business hours and on reasonable prior notice;

(h) use its commercially reasonable efforts to cause all such Restricted Securities to be listed on a recognized U.S. stock exchange or traded on a U.S. inter-dealer quotation system and, if similar securities issued by the Company are already so listed, on each securities exchange or inter-dealer quotation system on which similar securities issued by the Company are then listed or traded;

(i) provide a transfer agent and registrar for all such Restricted Securities not later than the printing of any preliminary prospectus;

(j) assist any underwriter or seller participating in such registration or offering in its marketing efforts with prospective investors by causing the Company's officers, directors and employees to participate in marketing efforts, including "roadshow" presentations in various major national and international centers, in connection with any offering;

(k) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission or any other applicable regulatory authority, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11 (a) of the Securities Act and Rule 158 promulgated thereunder;

(l) permit any holder, which holder, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Company, to participate in the preparation of such registration statement and to require the insertion therein of material furnished to the Company in writing, which in the reasonable judgment of such holder and its counsel should be included and which material has been approved by the Company, such approval not to be unreasonably withheld or delayed;

(m) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related offering document or suspending the qualification of any Restricted Shares included in such registration statement or offering document for sale in any jurisdiction, the Company will use its best efforts promptly to obtain the withdrawal of such order;

(n) use its best efforts to cause such Restricted Shares covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Restricted Shares; and

(o) take all such other actions as the holders of a majority of Restricted Shares being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Restricted Shares (including, without limitation, effecting a stock split or a combination of shares).

For purposes of Sections 4(a) and (b) above and of Section 2(c) hereof, the period of distribution of Restricted Shares in a firm commitment underwritten public offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Restricted Shares in any other registration shall be deemed to extend until the earlier of the sale of all Restricted Shares covered thereby or nine months after the effective date thereof.

In connection with each registration hereunder, the selling holders of Restricted Shares will furnish to the Company in writing such information with respect to themselves and the proposed distribution by them as shall be necessary in order to assure compliance with Federal and applicable state securities laws.

In connection with each registration pursuant to Sections 2 and 3 hereof covering an underwritten public offering, the Company agrees to enter into such customary agreements (including underwriting agreements) as the managing underwriter selected in the manner herein provided may request in such form and containing such provisions as are customary in the securities business for such an arrangement between major underwriters and companies of the Company's size and investment stature, provided that such agreement shall not contain any such provision applicable to the Company which is inconsistent with the provisions hereof.

The Company agrees (i) not to effect any public sale or distribution of its share capital or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 180-day period beginning on the effective date of any registration statement (except as part of such underwritten registration pursuant to the terms hereof or pursuant to registrations on Forms S-4 or S-8 or any successor forms), unless the underwriters managing such public offering otherwise agree, and (ii) to use its commercially reasonable best efforts to cause each holder of at least 5% (on a fully diluted basis) of its share capital, or any securities convertible into or exchangeable or exercisable for its share capital (other than in a public offering pursuant to the terms hereof) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144 under the Securities Act) of any such securities during such period (except as part of such underwritten offering, if otherwise permitted pursuant to the terms hereof), unless the underwriters managing such public offering otherwise agree.

Notwithstanding anything to the contrary contained in this Agreement, in the event that there is an underwritten public offering of securities of the Company pursuant to a registration statement covering Restricted Shares, except to the extent that: (A) a holder of Restricted Securities has elected to sell his, her or its Restricted Shares to the underwriters of the Company's securities in connection with such offering or (B) the underwriters do not request the following restrictions, such holder shall not (i) offer, hedge, pledge, sell or contract to sell any such Restricted Securities or securities convertible into or exchangeable for Restricted Securities, (ii) sell any option or contract to purchase any Restricted Securities or any securities convertible into or exercisable or exchangeable for Restricted Securities, (iii) purchase any option or contract to sell any Restricted Securities or any securities convertible into or exchangeable or exercisable for Restricted Securities, (iv) grant any option, right or warrant for the sale of any Restricted Securities or any securities convertible into or exercisable or exchangeable for Restricted Securities, or (v) lend or otherwise dispose of or transfer any Restricted Securities or any securities convertible into or exercisable or exchangeable for Restricted Securities during the seven days prior to and during the 180 day period beginning on the effective date of any registration statement; *provided, however,* that such holder shall, in any event, be entitled to sell its Restricted Securities commencing on the 180th day after the effective date of such registration statement.

Any holder of Restricted Securities, and their permitted transferees, receiving any written notice from the Company regarding the Company's plans to file a registration statement shall treat such notice confidentially and shall not disclose such information to any person other than as necessary to exercise its rights under this Agreement.

SECTION 5. ***Expenses.*** All expenses incurred by the Company in complying with Sections 2, 3, 4 and 10 hereof, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities and blue sky laws, fees and expenses in connection with any listing of the Common Shares on a securities exchange or inter-dealer quotation system, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, and the fees and disbursements of the underwriters, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars and costs of insurance and fees and expenses of one counsel for the sellers of Restricted Shares, but excluding any Selling Expenses (as defined below), are herein called "***Registration Expenses***". All underwriting discounts and selling commissions applicable to the sale of Restricted Shares are herein called "***Selling Expenses***." The Company will pay all Registration Expenses in connection with each registration statement filed pursuant to Section 2 or 3 hereof, whether or not such registration becomes effective. All Selling Expenses incurred in connection with any sale of Restricted Shares by any participating seller shall be borne by such participating seller, or by such persons other than the Company (except to the extent the Company shall be a seller) as they may agree.

SECTION 6. ***Indemnification.*** In the event of a registration of any of the Restricted Shares under the Securities Act pursuant to Section 2 or 3 hereof, the Company will indemnify and hold harmless each seller of such Restricted Shares thereunder and each underwriter of such Restricted Shares thereunder and their respective officers, directors and employees and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act, against any and all losses, claims, damages, expenses or liabilities, joint or several, to which such person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Restricted Shares was registered under the Securities Act pursuant to Section 2 or 3, any preliminary prospectus or final prospectus contained therein, any amendment or supplement thereof, any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Restricted Shares, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically), or any application, filing or other material filed, registered, distributed or otherwise furnished by the Company or with the consent of the Company in connection with the securities laws of any state or political subdivision thereof, including any blue sky application, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each such person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, expense or action; *provided, however,* that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such person in writing specifically for use in such registration statement or prospectus.

In the event of a registration of any of the Restricted Shares under the Securities Act pursuant to Section 2 or 3 hereof, each seller of such Restricted Shares thereunder, severally and not jointly, will indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of the Securities Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the Securities Act, against all losses, claims, damages, expenses or liabilities to which the Company or such officer or director or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Restricted Shares were registered under the Securities Act pursuant to Section 2 or 3, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however,* that such seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such seller, as such, furnished in writing to the Company by such seller specifically for use in such registration statement or prospectus; *provided, further, however,* that the liability of each seller hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the public offering price of the shares sold by such seller under such registration statement bears to the total public offering price of all securities sold thereunder, but not to exceed the net proceeds received by such seller from the sale of Restricted Shares covered by such registration statement.

Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this Section 6. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 6 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; *provided, however,* that, if the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the other party or parties thereto or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the other party or parties thereto, the indemnified party shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

Notwithstanding the foregoing, any indemnified party shall have the right to retain its own counsel in any such action, but the fees and disbursements of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party shall have failed to retain counsel for the indemnified party as aforesaid, (ii) the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or that the interests of the indemnified party conflict with the interests of the indemnifying party, or (iii) the indemnifying party and such indemnified party shall have mutually agreed to the retention of such counsel. It is understood that the indemnifying party shall not, in connection with any action or related actions in the same jurisdiction, be liable for the fees and disbursements of more than one separate firm qualified in such jurisdiction to act as counsel for the indemnified parties. The indemnifying party shall not (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any proceeding effected without its written consent (which consent shall not be unreasonably withheld), but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. If the indemnification provided for in the first two paragraphs of this Section 6 is unavailable to or insufficient to hold harmless an indemnified party under such paragraphs in respect of any losses, claims, damages or liabilities or actions referred to therein, then each indemnifying party shall in lieu of indemnifying such indemnified party contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or actions in such proportion as appropriate to reflect the relative fault of the Company, on the one hand, and the sellers of such Restricted Shares, on the other, in connection with the statement or omissions which resulted in such losses, claims, damages, liabilities or actions, as well as any other relevant equitable considerations including, without limitation, the failure to give any notice under the third paragraph of this Section 6.

The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the sellers of such Restricted Shares, on the other hand, and to the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the sellers of Restricted Shares agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by *pro rata* allocation (even if all of the sellers of Restricted Shares were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or actions referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this and the immediately preceding paragraph, the sellers of such Restricted Shares shall not be required to contribute any amount in excess of the amount of net proceeds received by each of them from the sale of Restricted Shares covered by such registration statement. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. The indemnification of underwriters provided for in this Section 6 shall be on such other terms and conditions as are at the time customary and reasonably required by such underwriters and the indemnification of the sellers of Restricted Shares in such underwriting shall, at the sellers' request, be modified to conform to such terms and conditions. Upon the reasonable request of any shareholder selling Restricted Shares pursuant to a registration statement or any underwriter of such shares, the Company shall obtain, if reasonably available, an insurance policy covering the risks described above in this Section 6 in an amount and with a deductible reasonably requested by such seller or underwriter and naming such seller, any underwriter of such shares and any person controlling such seller or underwriter as beneficiaries. The costs of obtaining and maintaining any such insurance shall be borne by the Company.

The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling person of such indemnified party and will survive the transfer of securities.

SECTION 7. ***Changes in Common Shares.*** If, and as often as, there are any changes in the Common Shares by way of stock split, stock dividend; combination or reclassification, or through merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof, as may be required, so that the rights and privileges granted by this Agreement shall continue with respect to the Common Shares as so changed.

SECTION 8. ***Other Registration Rights.*** Except as provided in this Agreement, the Company will not grant to any person the right to request the Company to register any Common Shares, or any securities convertible or exchangeable into or exercisable for Common Shares, which are superior to or *pari passu* with the rights granted to the holders of Restricted Shares hereunder, without the prior written consent of the Threshold Amount of the Institutional Investors and the directors designated by the Other Shareholders who are also distributors of the Company (the ***"Distributor Directors");*** *provided, however,* if at the time there are no Distributor Directors, the prior written consent shall be given by not less than a majority in interest of the Other Shareholders. The consent of the Distributor Directors is given in their capacity as representatives of the distributors not in their capacity as a director of the Company. The Company will not enter into any agreement inconsistent with the terms of this Agreement.

SECTION 9. ***Representations and Warranties of the Company.*** The Company represents and warrants to each of the other parties hereto as follows (which representations and warranties shall survive the execution and delivery of this Agreement):

(a) The execution, delivery and performance of this Agreement by the Company have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Charter of the Company, or any provision of any indenture, agreement or other instrument to which it or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company or any of its subsidiaries.

(b) This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

SECTION 10. ***Rule 144 Reporting.*** The Company agrees with each of the other parties hereto as follows:

(a) The Company shall make and keep current public information available as those terms are understood and defined in Rule 144 under the Securities Act, at all times after it has become subject to the Exchange Act.

(b) The Company shall file with the Commission in a timely manner all reports and other documents as the Commission may prescribe under Section 13(a) or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder at any time after the Company has become subject to such reporting requirements of the Exchange Act.

(c) The Company shall furnish to each holder of Restricted Securities within a reasonable time after receipt of a written request therefor: (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the first registration statement of the Company for an offering of its securities to the general public), and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents so filed as such holder may reasonably request to avail itself of any rule or regulation of the Commission allowing a holder of Restricted Securities to sell any such securities without registration.

SECTION 11. ***Miscellaneous.*** (a) The obligations and rights of the Company and the holders of Restricted Securities under Sections 2 and 3 shall terminate following the closing of an Initial Public Offering (x) as to any holder of Restricted Securities when (i) such holder is no longer an "affiliate" as used in Rule 144 and (ii) such holder is permitted to sell all Restricted Shares then held by him, her or it pursuant to Rule 144(k) and (y) for that number of Restricted Shares which may otherwise be included in a registration statement where the holder thereof is permitted to sell such Restricted Shares pursuant to Rule 144(b).

(b) All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. Without limiting the generality of the foregoing, the registration rights conferred herein on the holders of Restricted Securities shall inure to the benefit of any and all subsequent holders from time to time of the Restricted Securities.

(c) All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier (with receipt confirmed), courier service or personal delivery:

(i) if to the Company:

WH Holdings (Cayman Islands) Ltd.
c/o M&C Corporate Services Limited
P.O. Box 309GT
Ugland House
South Church Street
Georgetown, Grand Cayman
Cayman Islands
Telecopier: (345) 949 8080
Attention: Alasdair Robertson

(ii) if to Whitney V:

Whitney V, L.P.
177 Broad Street
Stamford, Connecticut 06901
Telecopier: (203) 973-1422
Attention: Daniel J. O'Brien

with a copy to:

Chadbourne & Parke LLP
30 Rockefeller Center
New York, NY 10112
Telecopier: (212) 541-5369
Attention: Thomas C. Meriam

(iii) if to Golden Gate Fund:

c/o Golden Gate Private Equity, Inc.
One Embarcadero Center
Suite 3300
San Francisco, CA 94111

Telecopier: (415) 627-4501
Attention: Jesse Rogers

with a copy to:

Kirkland & Ellis
200 East Randolph Drive
Suite 5800
Chicago, IL 60601
Telecopier: (312) 861-2200
Attention: Gary M. Holihan

(iv) if to any Other Shareholder, at the address for such Person in the Company's records.

or to such other address or addresses as shall have been furnished in writing to the other parties hereto. Each party hereto agrees, at all times, to provide the Company with an address for notices hereunder.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; if mailed, five Business Days after being deposited in the mail, postage prepaid; or if telecopied, when receipt is acknowledged.

(d) This agreement shall be governed by, construed in accordance with, and enforced under, the law of the State of New York applicable to agreements or instruments entered into and performed entirely within such State.

(e) (i) Each party to this agreement hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to its address set forth in Section 11(c), such service to become effective ten days after such mailing.

(ii) Each of the parties hereto waives its right to a jury trial with respect to any action or claim arising out of any dispute in connection with this Agreement, any rights or obligations hereunder or the performance of such rights and obligations. Except as prohibited by law, each of the parties hereto hereby waives any right it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Company (x) certifies that no representative, agent or attorney for a holder of Restricted Securities has represented, expressly or otherwise, that any holder of Restricted Securities would not, in the event of litigation, seek to enforce the foregoing waivers and (y) acknowledges that each holder of Restricted Securities has been induced to enter into this agreement by, among other things, the waivers and certifications contained herein.

(f) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except in writing by the agreement of the Threshold Amount of the Institutional Investors; provided such modification or amendment shall not adversely affect the Other Shareholders without the consent of not less than a majority in interest of the Other Shareholders.

(g) Telefacsimile transmissions of any executed original document and/or retransmission of any executed telefacsimile transmission shall be deemed to be the same as the delivery of an executed original. At the request of any party hereto, the other parties hereto shall confirm telefacsimile transmissions by executing duplicate original documents and delivering the same to the requesting party or parties. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) The Company (on the one hand) and the holders of Restricted Shares (on the other hand) agree that any amendment to the Federal securities laws and regulations promulgated thereunder (and related registration forms), and related state securities laws shall not affect the substantive registration requirements (and other obligations of the Company) set forth in this Agreement; and, following any such amendment, the Company shall continue to be required to cause the registration of Restricted Shares (and pay all Registration Expenses and provide indemnification) under the Federal securities laws, as amended, in a manner consistent to carry out the intent and purposes of (and on terms as similar as practicable as the terms set forth in) this Agreement.

(i) If any one or more of the provisions contained in this Agreement, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions of this Agreement. The parties hereto further agree to replace such invalid, illegal or unenforceable provision of this Agreement with a valid, legal and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

[Signature Page to Registration Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

WH HOLDING (CAYMAN ISLANDS) LTD.

By: /s/ [ILLEGIBLE]

Name:
Title:

WH INVESTMENTS LTD.

By: /s/ [ILLEGIBLE]

Name:
Title:

[*Signature Page to Registration Rights Agreement]*

WHITNEY V, L.P.

By: Whitney Equity Partners V, LLC,
Its General Partner

By: /s/ [ILLEGIBLE]

Name:
A Managing Member

WHITNEY STRATEGIC PARTNERS V, L.P.

By: Whitney Equity Partners V, LLC,
Its General Partner

By: /s/ [ILLEGIBLE]

Name:
A Managing Member

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG AV, LLC—SERIES C
CCG AV, LLC—SERIES E

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: /s/ JESSE T. ROGERS

Name: Jesse T. Rogers

Its: Managing Director

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG AV, LLC—SERIES C
CCG AV, LLC—SERIES E

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ Carol Haul

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

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Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

[ILLEGIBLE]

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CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ______________________

Name: ______________________

Its: Managing Director

OTHER SHAREHOLDER

[ILLEGIBLE]

Personal Property Hawaii Inc.

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
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CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ MICHIKO DEJAEGHERE

Michiko Dejaeghere

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

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CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ______________________________

Name: ______________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]
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CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ______________________________

Name: ______________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]
____

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By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ________________________

Name: ________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

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CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

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CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

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CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

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CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________________

Name: ____________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

[Illegible]
Sales Consulting Establishment
Eganesstr. 764
FL-illegible Eschen
Liechtenstein

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

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CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________________

Name: ____________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

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CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ______________________________

Name: ______________________________

Its: Managing Director

OTHER SHAREHOLDER

Blueline Capital, LLC,

a Colorado limited liability company

By: HealthQuest International Inc.
(manager)
By: /s/ LESLIE STANFORD

Leslie Stanford President

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ________________________

Name: ________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

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CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC
CCG CI, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ______________________________

Name: ______________________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]
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CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG GP FUND, LLC
CCG AV, LLC

By: Golden Gate Capital Management, L.L.C.
Its: Authorized Representative

By: ____________________

Name: ____________________

Its: Managing Director

OTHER SHAREHOLDER

/s/ [ILLEGIBLE]

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.45

SHARE
PURCHASE AGREEMENT

by and among

WH Holdings (Cayman Islands) Ltd.,

Whitney Strategic Partners V, L.P.,

WH Investments Ltd.,

Whitney V, L.P.,

CCG Investments (BVI), L.P.,

CCG Associates-QP, LLC,

CCG Associates-AI, LLC,

CCG Investment Fund-AI, LP,

CCG AV, LLC—SERIES C,

and

CCG AV, LLC—SERIES E

Dated as of July 31, 2002

TABLE OF CONTENTS

SHARE PURCHASE AGREEMENT

AGREEMENT, dated as of July 31, 2002, by and among WH HOLDINGS (CAYMAN ISLANDS) LTD. a Cayman Islands company (the "***Company***"), WHITNEY V, L.P., a Delaware limited partnership, WHITNEY STRATEGIC PARTNERS V, L.P., a Delaware limited partnership (together, "***Whitney V***"), and CCG INVESTMENTS (BVI), L.P., a British Virgin Islands limited partnership, CCG ASSOCIATES-QP, LLC, a Delaware limited liability company, CCG ASSOCIATES-Al, LLC, a Delaware limited liability company, CCG INVESTMENT FUND-AI, LP, a Delaware limited partnership, CCG AV, LLC-SERIES C, a Delaware limited liability company, and CCG AV, LLC-SERIES E, a Delaware limited liability company (collectively, "***Golden Gate Fund***"), WH INVESTMENTS LTD., a Cayman Islands company ("***Investments***") and WH ACQUISITION CORP., a Nevada corporation ("Acquisition Corp."). Whitney V, Investments and Golden Gate Fund are sometimes referred to herein collectively as the "***Purchasers***" and individually as a "***Purchaser***".

W I T N E S S E T H:

WHEREAS, the Company wishes to issue and sell to the Purchasers, and the Purchasers wish to purchase from the Company up to 100,000,000 shares (the "***Purchased Shares***") of 12% Series A Cumulative Convertible Preferred Shares, $0.001 par value per share, of the Company (the "***Preferred Shares***"), upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.01 ***Definitions.*** As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

"***Acquisition***" shall mean WH Acquisition Corp., a Nevada corporation.

"***Affiliate***" shall mean any Person who or which, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, any specified Person and shall include the partners, members or shareholders of such Person.

"***Affiliated Group***" shall have the meaning set forth in Section 1504(a) of the Code.

"***Agreement***" shall mean this Agreement, including the exhibits and schedules attached hereto, as the same may be amended, supplemented or modified in accordance with the terms hereof.

"***Articles of Association***" shall mean the Amended and Restated Memorandum and Articles of Association of the Company as in effect from time to time which, inter alia, sets forth the terms, limitations and relative rights and preferences of the Preferred Shares and Common Shares.

"***Business Day***" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"***By-laws***" shall mean, unless the context in which such term is used otherwise requires, the By-laws of the Company's Subsidiaries as in effect from time to time.

"***Capital Lease Obligations***" of any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"***Cash***" shall mean the currency of the United States of America.

"***Certificate of Incorporation***" shall mean, unless the context in which it is used shall otherwise require, the Certificate of Incorporation of a Subsidiary as in effect from time to time.

"***Closing***" shall have the meaning assigned to that term in Section 2.05.

"***Closing Date***" shall have the meaning assigned to that term in Section 2.05.

"***Code***" shall mean the Internal Revenue Code of 1986, as amended, or any successor statute thereto.

"***Commission***" shall mean the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

"***Common Shares***" shall mean the Common Shares, par value $0.001 per share, of the Company.

"***Compliance Certificate***" shall have the meaning given in Section 8.01(c).

"***Condition of the Company***" shall mean the assets, business, properties, prospects, operations, or financial condition of the Company and its Subsidiaries, taken as a whole.

"***Contingent Obligation***" as applied to any Person, shall mean any direct or indirect liability, contingent or otherwise, of that Person: (i) with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; or (iii) under any foreign exchange contract, currency swap agreement, interest rate swap agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates. Contingent Obligations shall include (a) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (b) the obligation to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, and (c) any liability of such Person for the obligations of another through any agreement to purchase, repurchase or otherwise acquire such obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

"***Conversion Shares***" shall have the meaning assigned to that term in Section 8.03 hereof.

"***Contractual Obligations***" shall mean as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument or arrangement (whether in writing or otherwise) to which such Person is a party or by which it or any of such Person's property is bound.

"***Credit Agreement***" means that certain Credit Agreement to be dated as of the Closing Date by and among the Target, the Company and certain of its subsidiaries, the lenders party thereto and the other agents and arrangers party thereto, as the same may be amended, modified or restated from time to time.

"***Exchange Act***" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

"***Financial Statements***" shall mean the audited financial statements and the unaudited financial statements.

"***GAAP***" shall mean generally accepted accounting principles in effect from time to time within the United States, consistently applied.

"***Golden Gate***" shall mean Golden Gate. Private Equity, Inc.

"***Golden Gate Monitoring Agreement***" shall mean the Golden Gate Monitoring Agreement substantially in the form attached hereto as Exhibit E.

"***Governmental Authority***" shall mean the government of any nation, state, city, locality or other political subdivision of any thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, regulation or compliance, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"***Indebtedness***" shall mean as to any Person (a) all obligations of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to surety bonds, unfunded credit commitments, letters of credit and bankers' acceptances, whether or not matured), (b) all indebtedness, obligations or liability of such Person (whether or not evidenced by notes, bonds, debentures or similar instruments) whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several, that should be classified as liabilities in accordance with GAAP, including, without limitation, any items so classified on a balance sheet and any reimbursement obligations in respect of letters of credit or obligations in respect of bankers acceptances, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable and accrued commercial or trade liabilities arising in the ordinary course of business, (d) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by such Person, whether periodically or upon the happening of a contingency, (e) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (f) all obligations of such Person under leases which have been or should be, in accordance with GAAP, recorded as capital leases, (g) all indebtedness secured by any Lien (other than Liens in favor of lessors under leases other than leases included in clause (f) above) on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person, and (h) any Contingent Obligation of such Person.

"***Initial Public Offering***" shall mean the underwritten public offering by either the Company or any of its Subsidiaries of its common shares pursuant to a registration statement (other than a registration statement relating solely to the employee benefit plan or transaction covered by Rule 145 of the Securities Act) that has been filed under the Securities Act and declared effective by the Commission; *provided*, *however*, that for this purpose any offering under Rule 144A under the Securities Act or any similar rule or regulation promulgated under the Securities Act shall not be deemed to be an Initial Public Offering.

"***Institutional Shareholder's Agreement***" shall mean the Institutional Shareholders' Agreement substantially in form attached hereto as*Exhibit C.*

"***Lien***" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other), charge, claim, restriction or preference, priority, right or other security interest or preferential arrangement of any kind or nature whatsoever (excluding preferred shares and equity related preferences) including, without limitation, those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease

Obligation, or any financing lease having substantially the same economic effect as any of the foregoing.

"***Management Options***" shall mean options to purchase not more than 18,717,546 Common Shares granted under the WH Holdings Stock Option Plan.

"***Merger***" shall mean the merger of the Acquisition, an indirect wholly owned subsidiary of the Company, with and into Target pursuant to the Merger Agreement.

"***Merger Agreement***" shall mean the Agreement of Merger dated as of April 10, 2002 by and among Target, the Company and Acquisition.

"***Note Warrants***" shall mean the warrants to purchase not more than 2,040,816 Preferred Shares issued in connection with the offering of the Company's Senior Notes.

"***Person***" shall mean any individual, firm, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, Governmental Authority or other entity of any kind, and shall include any successor (by merger or otherwise) of such entity.

"***Preferred Shares***" shall have the meaning ascribed to such term in the first Whereas clause.

"***Pro Forma Balance Sheet***" shall mean the pro forma balance sheet of the Company and its Subsidiaries delivered on the Closing Date as a closing delivery under the Credit Agreement.

"***Purchased Shares***" shall have the meaning ascribed to such term in the first Whereas clause.

"***Purchasers***" shall have the meaning set forth in the first paragraph of this Agreement.

"***Registration Rights Agreement***" shall mean the Registration Rights Agreement substantially in the form attached hereto as*Exhibit A*.

"***Requirements of Law***" shall mean as to any Person, provisions of the Articles of Association, Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, or any law, treaty, code, rule, regulation, right, privilege, qualification, license or franchise or determination of an arbitrator or a court or other Governmental Authority, in each case applicable or binding upon such Person or any of such Person's property or to which such Person or any of such Person's property is subject or pertaining to any or all of the transactions contemplated or referred to herein.

"***SEC Reports***" with respect to any Person shall mean all forms, reports, statements and other documents (including exhibits, annexes, supplements and amendments to such documents) required to be filed by it, or sent or made available by it to its security holders, under the Exchange Act, the Securities Act, any national securities exchange or quotation system or comparable Governmental Authority since the date of such Person's initial public offering.

"***Securities Act***" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations thereunder as the same shall be in effect at the time.

"***Senior Notes***" shall mean the Company's 15.5% Senior Notes Due July 15, 2011.

"***Shareholders' Agreement***" shall mean the Shareholders' Agreement substantially in the form attached hereto as*Exhibit B*.

"***Subscription Agreements***" shall mean the subscription agreements entered into between the Company and certain members of management and distributors of Target.

"***Subsidiary***" shall mean, with respect to any Person, a corporation or other entity of which 50% or more of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to

"Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company as if the Merger had occurred.

"***Target***" shall mean Herbalife International, Inc.

"***Tax***" shall mean any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code § 59A), customs duties, share capital, franchise profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on-minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"***Tax Return***" shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"***Transaction Documents***" shall mean collectively, this Agreement, the Registration Rights Agreement, the Institutional Shareholders' Agreement, the Shareholders' Agreement, the Merger Agreement, the Subscription Agreements, the Articles of Association, the Golden Gate Monitoring Agreement and the Whitney Monitoring Agreement.

"***Whitney***" shall mean Whitney & Co., LLC.

"***Whitney Monitoring Agreement***" shall mean the Whitney Monitoring Agreement substantially in the form attached hereto as Exhibit F.

1.02 ***Accounting Terms; Financial Statements.*** All accounting terms used herein and not expressly defined in this Agreement shall have the respective meanings given to them in conformance with GAAP. Financial statements and other information furnished pursuant to this Agreement or the other Transaction Documents shall be prepared in accordance with GAAP as in effect at the time of such preparation. No "Accounting Changes" (as defined below) shall affect financial covenants, standards or terms in this Agreement. "***Accounting Changes***" means: (a) changes in accounting principles required by GAAP and implemented by the Company; (b) changes in accounting principles recommended by the Company's certified public accountants and implemented by the Company; and (c) changes in carrying value of the Company's or any of its Subsidiaries' assets, liabilities or equity accounts resulting from (i) the application of purchase accounting principles to the purchase and sale of the Purchased Shares or the other transactions described in the Transaction Documents, or (ii) as the result of any other adjustments that, in each case, were applicable to, but not included in, the Pro Forma Balance Sheet. All such adjustments resulting from expenditures made subsequent to the Closing Date (including, but not limited to, capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made.

1.03 ***Knowledge of the Company.*** All references to the knowledge of the Company or to facts known by the Company shall mean actual knowledge or notice of the Chairman, Chief Executive Officer, President, Chief Financial Officer or other executive officer of the Company, any of its Subsidiaries or any division of the Company or any of its Subsidiaries or knowledge which such Person could reasonably have acquired through the exercise of due inquiry.

ARTICLE 2

PURCHASE AND SALE OF THE PURCHASED SHARES

2.01 ***Purchase and Sale of the Purchased Shares.*** Subject to the terms and conditions herein set forth and to adjustments as provided for in Sections 2.02 and 2.03 below, the Company agrees that it will issue and sell to the Purchasers and, (i) Whitney V agrees that it will acquire from the Company on the Closing Date, the number of Purchased Shares set forth on the Schedule of Purchasers attached hereto and (ii) Golden Gate Fund agrees that it will acquire from the Company on the Closing Date, the number of Purchased Shares set forth on the Schedule of Purchasers attached hereto. The Purchased Shares shall have the powers, rights and preferences set forth in the Articles of Association. The purchase price for the Purchased Shares shall be $1.76 per share. The number of Purchased Shares to be purchased, and the aggregate purchase price to be paid, by each entity of which Whitney V and Golden Gate Fund is composed is set forth opposite the name of such entity on the Schedule of Purchasers attached hereto and shall be appropriately adjusted to reflect any adjustments provided for in Sections 2.02 and 2.03. Each Purchaser's obligation to purchase the Purchased Shares is several, and not joint.

2.02 ***Adjustment to Number of Purchased Shares.*** Prior to the Closing Date, the Company may, in its sole discretion, reduce the aggregate number of Purchased Shares to be issued and sold hereunder by up to 23.14% (23,140,000 Preferred Shares) and sell such Preferred Shares to certain members of management and distributors of Target in a transaction to be consummated on the Closing Date (the "***Aggregate Sell Down Shares***"). The first $10,000,000 (based on the purchase price thereof) of Aggregate Sell Down Shares shall be deducted from Preferred Shares that would otherwise have been purchased by Whitney V. Any subsequent reduction in excess of $10,000,000 shall be borne 63.9% by Whitney V and 36.1% by the Golden Gate Fund. The Company shall notify the Purchasers of any such reduction in the Purchased Shares to be purchased hereunder immediately prior to the Closing Date. At the Closing, Investments will purchase 22,000,000 Preferred Shares less the number of shares purchased by distributors of the Target as of the Closing ("***Unsold Shares***"), and such purchase shall reduce the dollar amount of the Preferred Shares otherwise to be purchased by Whitney V and Golden Gate Fund in accordance with the provisions of this Section 2.02. Whitney V and Golden Gate Fund will contribute funds to Investments according to their respective ownership percentages of Investments determined pursuant to Section 2.03 to enable Investments to purchase the Unsold Shares at the Closing. Investments will hold such Unsold Shares purchased by it as of the Closing for resale in accordance with the Plan of Distribution described in that certain Private Placement Memorandum of the Company dated July 15, 2002 (the "***Private Placement Memorandum***").

2.03 ***WH Investments Ltd.***

(a) Whitney V and Golden Gate Fund agree that if the aggregate purchase price of the Preferred Shares purchased by management and distributors of the Target at the Closing is greater than or equal to $10,000,000, then Whitney V shall own 63.9% of Investments and Golden Gate Fund shall own 36.1% of Investments, and any subsequent distributions of the cash proceeds from the resale of the Unsold Shares shall be apportioned based on such ownership percentages. Thus, if the provisions of this Section 2.03(a) are operative, Whitney V and Golden Gate Fund will be issued 6,390 and 3,610 shares, respectively, of Investments at the Closing. If such shares were issued before the Closing, Whitney V or Golden Gate Fund, as the case may be, shall transfer an adequate number of issued but unpaid shares so that their ownership in Investments shall be as described above.

(b) Whitney V and Golden Gate Fund agree that if the aggregate purchase price of the Preferred Shares purchased by management and distributors of Target at the Closing is less than $10,000,000, their respective ownership percentages of Investments (to be allocated between them out of an aggregate of 10,000 shares of Investments to be issued as of or shortly prior to the Closing) shall be determined in accordance with this Section 2.03(b). Whitney V shall own a percentage of Investments equal to a fraction, the numerator of which is (i) $10,000,000 less the aggregate purchase price of Preferred Shares purchased by management and distributors of Target at the Closing (the "***Priority Amount***") plus (ii) 63.9% of the difference between (A) the aggregate purchase price of the Unsold Shares minus (B) the result of clause (i) above, and the denominator of which is the aggregate purchase price of Unsold Shares. Golden Gate Fund shall own the balance of Investments not owned by the Whitney V.

(c) Immediately following the receipt of any proceeds from the secondary sales of any Unsold Shares by Investments, Investments shall distribute such proceeds to Whitney V and Golden Gate Fund according to their respective ownership interests in accordance with Section 2.03(a) hereof, if Section 2.03(a) is operative, or otherwise in accordance with this Section 2.03(c). Whitney V and Golden Gate Fund agree that if the aggregate purchase price of the Preferred Shares purchased by management and distributors of Target at the Closing is less than $10,000,000, then Golden Gate Fund shall assign its entitlement to distributions from Investments in respect of the proceeds of resale of Unsold Shares and shall instruct Investments to pay such distributions directly to Whitney V until Whitney V has received from Investments, with respect to its entitlement and the entitlement assigned to it by Golden Gate Fund an aggregate amount of cash distributions equal to the Priority Amount. Thereafter, Whitney V and Golden Gate Fund agree that cash distributions from Investments in respect of the proceeds of the resale of the Unsold Shares shall be divided as follows: 63.9% to Whitney V and 36.1% to Golden Gate Fund.

(d) Immediately following the termination or expiration of the secondary offerings described in the Private Placement Memorandum, Investments shall distribute the remaining Unsold Shares to Whitney V and the Golden Gate Fund according to their respective ownership percentages determined in accordance with Section 2.03(a) hereof, if Section 2.03(a) is operative, or otherwise in accordance with the following. If all of the Priority Amount has not been paid to Whitney V by cash distribution pursuant to Section 2.03(c), Whitney V shall receive a number of Unsold Shares equal to the unpaid Priority Amount divided by $1.76. Thereafter, or if all of the Priority Amount has been paid to Whitney V by cash distribution pursuant to Section 2.03(c), Whitney V and Golden Gate Fund shall receive Unsold Shares as a distribution as follows: 63.9% to Whitney V and 36.1% to Golden Gate Fund.

(e) All expenses of Investments, whether incurred in connection with the resale of Preferred Shares to distributors of target as described in the Private Placement Memorandum dated July 15th, 2002 or otherwise shall be paid for by the Company.

2.04 ***Fees at Closing; Annual Fees.*** Concurrently with the execution hereof, the Company and Target shall have executed and delivered the Golden Gate Monitoring Agreement and the Whitney Monitoring Agreement, and all fees and expenses due and payable under each such agreement as of the Closing Date shall have been paid.

2.05 ***Closing.*** The purchase and issuance of the Purchased Shares shall take place at the closing (the "***Closing***") to be held at the offices of Chadbourne & Parke, LLP, 30 Rockefeller Plaza, New York, New York at 10:00 a.m., New York time, immediately prior to the Effective Time (as such term is defined in the Merger Agreement) (the "***Closing Date***"). At the Closing, the Company shall issue the Purchased Shares and deliver share certificates representing the number of Purchased Shares to be purchased by each Purchaser pursuant to this Article 2, against delivery, in each case, to the Company of the aggregate purchase price therefore required to be paid by each Purchaser. Payment of such purchase price shall be by wire transfer to an account designated by the Company.

2.06 ***Financial Accounting Positions; Tax Reporting.*** Each of the parties hereto agrees to take reporting and other positions with respect to the Purchased Shares which are consistent with the purchase price of the Purchased Shares set forth herein for all financial accounting purposes, unless otherwise required by applicable GAAP or Commission rules (in which case the parties agree only to take positions inconsistent with the purchase price of the Purchased Shares set forth herein provided that the Purchasers have consented thereto, which consent shall not be unreasonably withheld). Each of the parties to this Agreement agrees to take reporting and other positions with respect to the Purchased Shares which are consistent with the purchase price of the Purchased Shares set forth herein for all other purposes, including without limitation, for all federal, state and local tax purposes.

ARTICLE 3

CONDITIONS TO THE OBLIGATIONS OF THE PURCHASERS TO PURCHASE THE PURCHASED SHARES

The obligation of each Purchaser to purchase the Purchased Shares, to pay the purchase price therefor at the Closing and to perform any obligations hereunder shall be subject to the satisfaction as determined by, or waived by, each of the Purchasers of the following conditions on or before the Closing Date; *provided*, *however*, that any waiver of a condition shall not be deemed a waiver of any breach of any representation, warranty, agreement, term or covenant or of any misrepresentation by the Company, except to the extent expressly so waived.

3.01 ***Representations and Warranties.*** The representations and warranties of the Company contained in Article 5 hereof shall be true and correct at and as of the date hereof and the Closing Date as if made at and as of such date, and each Purchaser shall have received at the Closing a certificate to the foregoing effect, dated the Closing Date, and executed by the Chief Executive Officer, President or a Vice President of the Company.

3.02 ***Compliance with this Agreement.*** The Company shall have performed and complied with all of its agreements and conditions set forth or contemplated herein that are required to be performed or complied with by the Company on or before the Closing Date.

3.03 ***Documents.*** Each Purchaser shall have received true, complete and correct copies of such agreements, schedules, exhibits, certificates, documents, financial information and filings as it may reasonably request in connection with or relating to the transactions contemplated hereby, all in form and substance satisfactory to such Purchaser.

3.04 ***Purchase of Securities Permitted by Applicable Laws.*** The acquisition of and payment for the Purchased Shares to be acquired by the Purchasers hereunder and the consummation of the transactions contemplated hereby and by the Transaction Documents (a) shall not be prohibited by any Requirement of Law, (b) shall not subject the Purchasers to any penalty or other onerous condition under or pursuant to any Requirement of Law, and (c) shall be permitted by all Requirements of Law to which the Purchasers or the transactions contemplated by or referred to herein or in the Transaction Documents are subject; and each Purchaser shall have received such certificates or other evidence as it may reasonably request to establish compliance with this condition.

3.05 ***Approval of Counsel to the Purchasers.*** All actions and proceedings hereunder and all agreements, schedules, exhibits, certificates, financial information, filings and other documents required to be delivered by the Company and each of its Subsidiaries hereunder or in connection with the consummation of the transactions contemplated hereby, and all other related matters, shall have been in form and substance acceptable to counsel to each Purchaser, in its reasonable judgment.

3.06 ***Consents and Approvals.*** All consents, exemptions, authorizations, or other actions by, or notices to, or filings with, Governmental Authorities and other Persons in respect of all Requirements of Law and with respect to those Contractual Obligations of the Company and each of its Subsidiaries necessary, desirable, or required in connection with the execution, delivery or performance by the Company, or enforcement against the Company, of the Transaction Documents to which it is a party shall have been obtained and be in full force and effect, and the Purchasers shall have been furnished with appropriate evidence thereof, and all waiting periods shall have lapsed without extension or the imposition of any conditions or restrictions.

3.07 ***HSR.*** The applicable waiting period (and any extension thereof) under the HartScott-Rodino Act shall have expired or been terminated.

3.08 ***Registration Rights Agreement.*** The Company shall have duly executed and delivered the Registration Rights Agreement.

3.09 ***Shareholders' Agreement.*** The Shareholders' Agreement shall have been duly executed and delivered by all of the parties thereto.

3.10 ***Institutional Shareholders' Agreement.*** The Institutional Shareholders' Agreement shall have been duly executed and delivered by all parties thereto.

3.11 ***Articles of Association.*** The Company shall have filed, and the Companies' Registrar of The Cayman Islands shall have registered the Articles of Association (among other things, authorizing the Preferred Shares), in a form and substance satisfactory to each Purchaser.

3.12 ***No Material Judgment or Order.*** There shall not be on the Closing Date any judgment or order of a court of competent jurisdiction or any ruling of any Governmental Authority or any condition imposed under any Requirement of Law which, in the judgment of either Purchaser, would prohibit the purchase of the Purchased Shares hereunder or subject either Purchaser to any penalty or other onerous condition under or pursuant to any Requirement of Law if the Purchased Shares were to be purchased hereunder.

3.13 ***Good Standing Certificates.*** The Company shall have delivered to each Purchaser as of the Closing Date (dated not more than five days prior to the Closing Date), good standing certificates for the Company and each of its Subsidiaries (to the extent a concept of good standing is relevant in such jurisdiction of incorporation) for each of their respective jurisdictions of incorporation.

3.14 ***No Litigation.*** No litigation brought by a Governmental Authority shall be pending, and no litigation shall be threatened by any Governmental Authority, which seeks to enjoin or prohibit the consummation of the transactions contemplated by the Transaction Documents and no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Transaction Documents shall be in effect.

3.15 ***Merger.*** The Purchasers shall not be obligated to purchase the Purchased Shares unless the conditions precedent to consummation of the Merger shall have been satisfied or waived.

3.16 ***Financing.*** The Target shall have available not less than $165 million of unrestricted cash which has been used to consummate the Merger. Acquisition will have received the gross proceeds of its $162.9 million offering of 11.75% Senior Subordinated Notes, as described in that certain Offering Memorandum dated June 21, 2002. Target will have received the net proceeds of the $180 million term loan to be made pursuant to the Credit Agreement, and the Credit Agreement will be in full force and effect. Target shall have available to it a revolving credit facility with UBS AG, Stamford Branch, in an undrawn amount of $25 million. The Company shall have received the net proceeds of its $24 million offering of Senior Notes.

3.17 ***Simultaneous Purchase.*** Each of the other Purchasers shall have purchased and paid for its Purchased Shares as of the Closing.

ARTICLE 4

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO ISSUE AND SELL THE PURCHASED SHARES

The obligations of the Company to issue and sell the Purchased Shares and to perform its other obligations hereunder relating thereto shall be subject to the satisfaction as determined by, or waived by, the Company of the following conditions on or before the Closing Date:

4.01 ***Representations and Warranties.*** The representations and warranties of each Purchaser contained in Article 6 hereof shall be true and correct at and as of the date hereof and the Closing Date as if made at and as of such date.

4.02 ***Representations and Warranties in Merger Agreement.*** The representations and warranties of Target and its subsidiaries contained in the Merger Agreement shall be true and correct at and as of the date of the Merger Agreement and the Closing Date as if made at and as of such date.

4.03 ***Compliance with this Agreement.*** Each Purchaser shall have performed and complied with all of its respective agreements and conditions set forth or contemplated herein that are required to be performed or complied with by such Purchaser on or before the Closing Date.

4.04 ***Merger.*** The Company shall not be obligated to issue and sell the Purchased Shares unless the conditions precedent to consummation of the Merger shall have been satisfied or waived.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to each Purchaser as follows:

5.01 ***Corporate Existence and Power.*** The Company and each of its Subsidiaries: (a) is a corporation duly incorporated or organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) has all requisite corporate power and authority to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently, or is currently proposed to be, engaged; (c) is, duly qualified as a foreign corporation, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify would not have a material adverse effect on the Condition of the Company; and (d) has the corporate power and authority to execute, deliver and perform its obligations under each Transaction Document to which it is or will be a party.

5.02 ***Corporate Authorization; No Contravention.*** The execution, delivery and performance by the Company of this Agreement and each other Transaction Document to which it is or will be a party and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Purchased Shares: (a) has been duly authorized by all necessary corporate, and if required, shareholder action; (b) do not and will not contravene the terms of the Articles of Association of the Company or the Certificate of Incorporation or By-Laws of any Subsidiary, or any amendment thereof or any Requirement of Law applicable to such Person or such Person's assets, business or properties; (c) do not and will not (i) conflict with, contravene, result in any violation or breach of or default under (with or without the giving of notice or the lapse of time or both), (ii) create in any other Person a right or claim of termination or amendment, or (iii) require modification, acceleration or cancellation of any Contractual Obligation of the Company or any of its Subsidiaries; and (d) do not and will not result in the creation of any Lien (or obligation to create a Lien) against any property, asset or business of the Company or any of its Subsidiaries.

5.03 ***Governmental Authorization; Third Party Consents.*** No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any Requirement of Law or Contractual Obligation, and no lapse of a waiting period under a Requirement of Law or Contractual Obligation, is necessary or required in connection with the execution, delivery or performance by (including, without limitation, the issuance of shares upon the conversion of the Purchased Shares), or enforcement against, the Company of the Transaction Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby, except for the lapse of the waiting period under the Hart-Scott-Rodino Act, which has already occurred and the filing of a Form D with the Commission.

5.04 ***Binding Effect.*** This Agreement has been, and each of the Transaction Documents to which the Company will be a party to will be, duly executed and delivered by the Company, and this Agreement constitutes, and, upon such execution and delivery, such Transaction Documents will constitute, the legal, valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability.

5.05 ***No Legal Bar.*** Neither the execution, delivery or performance of the Transaction Documents nor the issuance of or performance of the terms of the Purchased Shares will violate any Requirement of Law or any Contractual Obligation of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has previously entered into any agreement which is currently in effect or to which the Company or any of its Subsidiaries is currently bound, granting any rights to any Person which are inconsistent with the rights to be granted by the Company in the Transaction Documents.

5.06 ***Compliance with Laws.*** The Company and each of its Subsidiaries are in compliance with all Requirements of Law.

5.07 ***Taxes.*** For U.S. tax classification purposes pursuant to Treasury Department Regulation Section 301.7701-2, the Company is classified as an association taxable as a corporation. No election has been made under Treasury Regulation Section 301.7701-3 to treat the Company or any Subsidiary as a partnership or disregarded entity for U.S. tax purposes.

5.08 ***Operating Company.*** The Company is "an entity that is primarily engaged, directly or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital" within the meaning of the U.S. Department of Labor plan asset regulations, 29 C.F.R. § 2510.3-101.

5.09 ***Capitalization.*** As of the Closing Date, the authorized share capital of the Company consists of 250,000,000 Common Shares, of which 10 shares are issued and outstanding (which will be repurchased by the Company simultaneously with the Closing) and 103,000,000 Preferred Shares, 100,000,000 of which will be issued and outstanding upon the consummation of the transactions contemplated hereby and by the Subscription Agreements. All of the Company's issued and outstanding share capital (including the Purchased Shares) is, and the Common Shares issuable upon conversion of the Preferred Shares, when issued, will be, validly issued, fully paid and nonassessable and shall be free and clear of all Liens (other than as provided in the Shareholders' Agreement and Institutional Shareholders' Agreement) and the issuance of foregoing has not been or will not be, as the case may be, subject to preemptive rights in favor of any Person and will not result in the issuance of any additional share capital of the Company or the triggering of any anti-dilution or similar rights contained in any options, warrants, debentures or other securities or agreements of the Company. On the Closing Date, except for the Preferred Shares to be sold pursuant to this Agreement or the Subscription Agreements, the Management Options and the Note Warrants, there is no outstanding share capital or any securities convertible into or exchangeable for share capital of the Company or any of its Subsidiaries or options, warrants or other rights to purchase or subscribe to share capital of the Company or any of its Subsidiaries or contracts, commitments, agreements, understandings or arrangements of any kind to which the Company or any of its Subsidiaries is a party relating to the issuance of any share capital of the Company or any of its Subsidiaries, any such convertible or exchangeable securities or any such options, warrants or rights. Neither the Company nor any of its Subsidiaries is obligated to repurchase any of their share capital or any securities convertible into or exchangeable for their share capital or any options, warrants or other rights.

5.10 ***Investment Company; Government Regulations.*** The Company after giving effect to the transactions contemplated hereby will not be required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither the Company nor its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the Federal Power Act, the Interstate Commerce Act, or any federal or state statute or regulation limiting its ability to incur Indebtedness.

5.11 ***Private Offering.*** No form of general solicitation or general advertising was used by the Company or any of its Subsidiaries, or their respective representatives in connection with the offer or sale of the Purchased Shares. No registration of the Purchased Shares or Common Shares issuable upon conversion of the Purchased Shares pursuant to the provisions of the Securities Act or any applicable state securities or "blue sky" laws will be required for the offer, sale or issuance of the Purchased Shares pursuant to this Agreement or of the Common Shares issuable upon the conversion of the Purchased Shares. The Company agrees that neither it, nor anyone acting on its behalf, will offer or sell the Purchased Shares or any other security so as to require the registration of the Purchased Shares or Common Shares issuable upon conversion of the Purchased Shares pursuant to the provisions of the Securities Act or any state securities or "blue sky" laws, unless such Purchased Shares or Common Shares issuable upon conversion of the Purchased Shares are so registered.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser hereby represents and warrants severally, and not jointly, as to itself as follows:

6.01 ***Authorization; No Contravention.*** The execution, delivery and performance by it of this Agreement: (a) is within its power and authority and has been duly authorized by all necessary action; (b) does not contravene the terms of its organizational documents or any amendment thereof; and (c) will not violate, conflict with or result in any breach or contravention of any of its Contractual Obligations, or any order or decree directly relating to it.

6.02 ***Binding Effect.*** This Agreement has been duly executed and delivered by it and this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

6.03 ***No Legal Bar.*** The execution, delivery and performance of this Agreement by it will not violate any Requirement of Law applicable to it.

6.04 ***Purchase for Own Account.*** The Purchased Shares to be acquired by it pursuant to this Agreement are being or will be acquired for its own account and with no intention of distributing or reselling such securities or any part thereof in any transaction that would be in violation of the securities laws of the United States of America, or any state, without prejudice, however, to its right at all times to sell or otherwise dispose of all or any part of the Purchased Shares under an effective registration statement under the Securities Act, or under an exemption from such registration available under the Securities Act, and subject, nevertheless, to the disposition of its property being at all times within its control. If any Purchaser should in the future decide to dispose of any of the Purchased Shares, such Purchaser understands and agrees that it may do so only in compliance with the Securities Act and applicable state securities laws, as then in effect. It agrees to the imprinting of a legend on certificates representing any of the Purchased Shares to the following effect:

> "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS."

6.05 ***Broker's, Finder's or Similar Fees.*** There are no brokerage commissions, finder's fees or similar fees or commissions payable in connection with the transactions contemplated hereby based on any agreement, arrangement or understanding with it or any action taken by it.

6.06 ***Acredited Investors Status.*** Such Purchaser is an "accredited investor" within the meaning of Rule 501 (a) of Regulation D of the Securities Act as presently in effect and is either purchasing for its own account or for the account of another "accredited investor".

6.07 ***Governmental Authorization; Third Party Consent.*** No approval, consent, compliance, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person in respect of any Requirement of Law, and no lapse of a waiting period under a Requirement of Law, is necessary or required in connection with the execution, delivery or performance by it or enforcement against it of this Agreement or the transactions contemplated hereby, except, in the case of Whitney V, of the lapse of the waiting period under the Hart-Scott-Rodino Act, which has already occurred and the filing of a Form D with the Commission.

ARTICLE 7

INDEMNIFICATION

7.01 ***Indemnification.***

(a) In addition to all other sums due hereunder or provided for in this Agreement, the Company agrees to indemnify and hold harmless each Purchaser and its respective Affiliates and each of their respective officers, directors, agents, employees, Subsidiaries, partners, members, attorneys, accountants and controlling persons (each, an "***Indemnified Party***") to the fullest extent permitted by law from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable fees, disbursements and other charges of counsel and costs of investigation incurred by an Indemnified Party in any action or proceeding between the Company (or any of its Subsidiaries) and such Indemnified Party (or Indemnified Parties) or between an Indemnified Party (or Indemnified Parties) and any third party or otherwise) or other liabilities, losses, or diminution in value (collectively, "***Liabilities***") resulting from or arising out of any breach of any representation or warranty, covenant or agreement of the Company or any of its Subsidiaries in this Agreement, the Registration Rights Agreement, the Shareholders' Agreement, or the other Transaction Documents, including without limitation, the failure to make payment when due of amounts owing pursuant to this Agreement, the Purchased Shares or the other Transaction Documents, on the due date thereof (whether at the scheduled maturity, by acceleration or otherwise) or any legal, administrative or other actions (including, without limitation, actions brought by any Purchaser, the Company, any of its Subsidiaries or any holders of equity or Indebtedness of the Company or any of its Subsidiaries or derivative actions brought by any Person claiming through or in the Company's or any Subsidiary's name), proceedings or investigations (whether formal or informal), or written threats thereof, based upon, relating to or arising out of the Transaction Documents, the transactions contemplated thereby, or any Indemnified Party's role therein or in the transactions contemplated thereby; *provided*, *however*, that the Company shall not be liable under this Section 7.01 to an Indemnified Party: (a) for any amount paid by the Indemnified Party in settlement of claims by the Indemnified Party without the Company's consent (which consent shall not be unreasonably withheld), (b) to the extent that it is finally judicially determined that such Liabilities resulted solely from the willful misconduct or bad faith of such Indemnified Party or (c) to the extent that it is finally judicially determined that such Liabilities resulted solely from the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained in this Agreement; *provided*, *further*, that if and to the extent that such indemnification is unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of such Liabilities which shall be permissible under applicable laws. In connection with the obligation of the Company to indemnify for expenses as set forth above, the Company further agrees, upon presentation of appropriate invoices containing reasonable detail, to reimburse each Indemnified Party for all such expenses (including, without limitation, fees, disbursements and other charges of counsel and costs of investigation incurred by an Indemnified Party in any action or proceeding between the Company (or any of its Subsidiaries) and such Indemnified Party (or Indemnified Parties) or between an Indemnified Party (or Indemnified Parties) and any third party or otherwise) as they are incurred by such Indemnified Party; *provided*, *however*, that if an Indemnified Party is reimbursed hereunder for any expenses, such reimbursement of expenses shall be refunded to the extent it is finally judicially determined that the Liabilities in question resulted solely from (i) the willful misconduct or bad faith of such Indemnified Party or (ii) the breach by such Indemnified Party of any representation, warranty, covenant or other agreement of such Indemnified Party contained in this Agreement or any other Transaction Document.

(b) Each of the Company and Acquisition (together, the "***Indemnifying Pariesy***", and each an "*Indemnifying Party*") agrees, jointly and severally, to indemnify and hold harmless each of Indemnified Parties to the fullest extent permitted by law from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable fees, disbursements and other charges of counsel and costs of investigation incurred by an Indemnified Party in connection therewith) (collectively, "**1*Transaction Liabilities***") resulting from, arising out of, or in any way related to the Merger or any other transaction or proposed transaction involving the sale or other disposition or acquisition of Target and/or the business and assets of Target, regardless of when or where such action is brought (including, without limitation, the action pending in Superior Court of the State of California in the County of San Francisco brought by Rosemont Associates Inc. and Joseph P. Urso against Whitney & Co., LLC, and filed as Case No. CGC-02-409712). If and to the extent that the foregoing indemnification is unenforceable for any reason, Indemnifying Parties shall make the maximum contribution to the payment and satisfaction of such Acquisition Liabilities that shall be permissible under applicable law. In connection with the obligation of Indemnifying Parties to indemnify for expenses as set forth above, each Indemnifying Parties further agrees, upon presentation of appropriate invoices containing reasonable detail, to reimburse, without duplication, each Indemnified Party for all such expenses (including, without limitation, reasonable fees, disbursements and other charges of counsel and costs of investigation) incurred by such Indemnified Party as they are incurred by such Indemnified Party.

7.02 ***Procedure; Notification.*** Each Indemnified Party under this Article 7 will, promptly after the receipt of notice of the commencement of any action, investigation, claim or other proceeding against such Indemnified Party in respect of which indemnity may be sought from the Company under this Article 7, notify the appropriate Indemnifying Parties or Indemnifying Party in writing of the commencement thereof. The omission of any Indemnified Party so to notify such Indemnifying Parties or Indemnifying Party of any such action shall not relieve either Indemnifying Party from any liability which it may have to such Indemnified Party unless, and only to the extent that, such omission results in such Indemnifying Party's forfeiture of substantive rights or defenses. In case any such action, claim or other proceeding shall be brought against any Indemnified Party and it shall notify the appropriate Indemnifying Parties or Indemnifying Party of the commencement thereof, such Indemnifying Parties or Indemnifying Party shall, without any reservations of rights, be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment; *provided*, *however*, that any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense. Notwithstanding the foregoing, in any action, claim or proceeding in which the Indemnifying Parties or Indemnifying Party, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party shall have the right to employ separate counsel at the expense of such Indemnifying Parties or Indemnifying Party and to control its own defense of such action, claim or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between such Indemnifying Parties or Indemnifying Party, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable; *provided*, *however*, that in no event shall the Indemnifying Parties or Indemnifying Party be required to pay fees and expenses under this Article 7 for more than one firm of attorneys in any jurisdiction in any one legal action or group of related legal actions. Each Indemnifying Parties agree that it will not, without the prior written consent of the Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been actually threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising or that may arise out of such claim, action or proceeding. No Indemnifying Party shall be liable for any settlement of any claim, action or proceeding effected by an Indemnified Party without its written consent, which consent shall not be unreasonably withheld. The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

7.03 ***Registration Rights Agreement.*** Notwithstanding anything to the contrary in this Article 7, the indemnification and contribution provisions of the Registration Rights Agreement shall govern any claim made with respect to registration statements filed pursuant thereto or sales made thereunder.

ARTICLE 8

AFFIRMATIVE COVENANTS

For so long as any shares of Preferred Shares are outstanding (unless a longer period of time is specified in this Article 8), the Company hereby covenants and agrees with each Purchaser as follows:

8.01 ***Financial Statements and Other Information.*** The Company shall maintain, and cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with GAAP (it being understood that monthly financial statements are not required to have footnote disclosures). The Company shall deliver to each Purchaser each of the financial statements and other reports described below (in each case, one (1) copy of each such financial statement or report, as the case may be, shall be forwarded to the attention of Mr. Daniel O'Brien of Whitney and one (1) copy of each such financial statement or report, as the case may be, shall be forwarded to Mr. Jesse Rogers of Golden Gate, or such other person as may be designated in writing by such Purchaser from time to time):

(a) *Monthly and Quarterly Financial Information.* As soon as available and in any event within thirty (30) days after the end of each month, the Company shall deliver (i) the consolidated and consolidating balance sheets of the Company and its Subsidiaries, as at the end of such month and the related consolidated and consolidating statements of income, shareholders' equity and cash flow for such month and for the period from the beginning of the then current fiscal year of the Company to the end of such month (and, with respect to financial statements delivered for months that are also the last month of any fiscal quarter, accompanied by the related consolidated and consolidating statements of income, shareholders' equity and cash flow for such fiscal quarter) and (ii) a schedule of the outstanding Indebtedness for borrowed money of the Company and its Subsidiaries describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan.

(b) *Year-End Financial Information.* As soon as available and in any event within ninety (90) days after the end of the fiscal year of the Company, the Company shall deliver (i) the consolidated and consolidating balance sheets of the Company and its Subsidiaries as at the end of such year and the related consolidated and consolidating statements of income, shareholders' equity and cash flow for such fiscal year, (ii) a schedule of the outstanding Indebtedness for borrowed money of the Company and its Subsidiaries describing in reasonable detail each such debt issue or loan outstanding and the principal amount and amount of accrued and unpaid interest with respect to each such debt issue or loan, and (iii) a report with respect to the financial statements from PriceWaterhouseCoopers or another "Big Four" firm of certified public accountants (excluding Arthur Andersen) selected by the Company and reasonably acceptable to the Purchasers, which report shall be issued pursuant to an audit conducted by such firm of certified public accountants in conformity with GAAP. Such report shall contain an "Unqualified" opinion (as such term is defined in AU Section 508.10 of the American Institute of Certified Public Accountants Professional Standards). Together with each delivery of financial statements of the Company and its Subsidiaries pursuant to this subsection 8.01(b), the Company shall deliver to each Purchaser a copy of a letter from the Company to such accounting firm, which letter shall have been delivered to such accounting firm prior to its delivery of such financial statements, stating that an intent of the Company in engaging the accounting firm's professional services to prepare the audit report relating to such financial statements was to benefit and influence each Purchaser and its successors or assigns. Such letter shall state -that each Purchaser intends to rely on the audit report and the accounting firm's professional services provided to the Company and its Subsidiaries.

(c) *Company's Compliance Certificate.* Together with each delivery of financial statements of the Company and its Subsidiaries pursuant to Sections 8.01 (a) and 8.01(b) above, the Company shall deliver or cause to be delivered a fully and properly completed compliance certificate (in substantially the form attached hereto as *Exhibit D* (or in such other form or substance as shall be satisfactory to Purchasers) and referred to as a "***Compliance Certificate***") signed by the chief executive officer or chief financial officer of the Company.

(d) *Accountants' Reports.* Promptly upon receipt thereof, the Company shall deliver copies of all significant reports submitted by the Company's firm of certified public accountants in connection with each annual, interim or special audit or review of any type of the financial statements or related internal control systems of the Company and its Subsidiaries made by such accountants, including any comment letter submitted by such accountants to management in connection with their services.

(e) *Management Reports.* Together with each delivery of financial statements of the Company and its Subsidiaries pursuant to subsections 8.01(a) and 8.01(b), the Company will deliver a management report (i) describing the operations and financial condition of the Company and its Subsidiaries for the month then ended and the portion of the current fiscal year then elapsed (or for the fiscal year then ended in the case of year-end financials), (ii) setting forth in comparative form the corresponding figures for the corresponding periods of the previous fiscal year and the corresponding figures from the most recent projections for the current fiscal year delivered pursuant to subsection 8.01(f) and (iii) discussing the reasons for any significant variations. The information above shall be presented in reasonable detail and shall be certified by the chief financial officer of the Company to the effect that such information fairly presents the results of operations and financial condition of the Company and its Subsidiaries as at the dates and for the periods indicated.

(f) *Projections.* No earlier than sixty (60) days prior nor later than thirty (30) days prior to the end of each fiscal year beginning with the current fiscal year, the Company shall prepare and deliver to each Purchaser projections of the Company and its Subsidiaries for the next succeeding fiscal year, on a month to month basis and for the following two (2) fiscal years on a quarter to quarter basis, including a balance sheet as at the end of each relevant period and income statements and statements of cash flows for each relevant period and for the period commencing at the beginning of the fiscal year and ending on the last day of such relevant period.

(g) *SEC Filings and Press Releases.* Promptly upon their becoming available, the Company shall deliver copies of (i) all SEC Reports of the Company and each Subsidiary, (ii) all financial statements, reports, notices and proxy statements sent or made available by the Company or any of its Subsidiaries to their security holders, (iii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by the Company or any of its Subsidiaries with any securities exchange or with the Commission or any governmental or private regulatory authority, and (iv) all press releases and other statements made available by the Company or any of its Subsidiaries to the public concerning material developments in the business the Company or any of its Subsidiaries.

(h) *Events of Default, Etc.* Promptly upon the Company obtaining knowledge of any of the following events or conditions, the Company shall deliver copies of all notices given or received by the Company or any of its Subsidiaries with respect to any such event or condition and a certificate of the Company's Chief Executive Officer specifying the nature and period of existence of such event or condition and what action the Company has taken, is taking and proposes to take with respect thereto: (i) any condition or event that constitutes a breach of any provision of this Agreement or any other Transaction Document; (ii) any notice that any Person has given to the Company or any Subsidiary, or any other action, taken with respect to a claimed default in any agreement evidencing Indebtedness with an outstanding principal amount in excess of $500,000 or any other material agreement to which the Company or any Subsidiary is a party; or (iii) any event or condition that could reasonably be expected to result in any material adverse effect on the Condition of the Company.

(i) *Litigation.* Promptly upon any officer of the Company obtaining knowledge of (i) the institution of any action, suit, proceeding, governmental investigation or arbitration against or affecting the Company or any of its Subsidiaries or any property of the Company or any of its Subsidiaries not previously disclosed by the Company to each Purchaser or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration at any time pending against or affecting the Company or any of its Subsidiaries or any property of the Company or any of its Subsidiaries which, in each case, is reasonably possible to have a material adverse effect on the Condition of the Company, the Company will promptly give notice thereof to each Purchaser and provide such other information as may be reasonably available to them to enable each Purchaser and its counsel to evaluate such matter.

(j) *Subsidiaries.* Not less than fifteen (15) days prior to creating a Subsidiary or acquiring the stock of, or other equity interests in, a Person, such that such Person will become a Subsidiary, the Company shall notify each Purchaser of the Company's or any of its Subsidiary's intention to create such Subsidiary or acquire such stock or equity interests, and following such notice such Subsidiary will not be created or acquired until the Company has caused each Subsidiary to execute a joinder to this Agreement, and the other Transaction Documents in form and substance satisfactory to each Purchaser.

(k) *Notice of Corporate Changes.* The Company shall provide prompt written notice to each Purchaser of (i) all jurisdictions in which the Company or any of its Subsidiaries becomes qualified after the Closing Date to transact business, and (ii) any material change after the Closing Date in the authorized and issued share capital or other equity interests of the Company or any of its Subsidiaries or any other material amendment to their charter, by-laws or other organizational documents, such notice, in each case, to identify the applicable jurisdictions, capital structures or amendments as applicable.

(l) *No Defaults.* The Company shall deliver to each Purchaser concurrently with the delivery of the financial statements referred to in subsection 8.1(b), a certificate of the Company's Chief Financial Officer in the form of stating that to his or her knowledge no breach of this Agreement or any Transaction Document shall have occurred during the period covered thereby, except as specified in such certificate.

(m) *Bank Accounts.* Neither the Company nor any Subsidiary shall establish any bank account or other account with any financial institution unless it provides each Purchaser with prior written notice thereof.

(n) *Other Information.* With reasonable promptness, the Company shall deliver such other information and data with respect to the Company or any of its Subsidiaries as from time to time may be reasonably required by either Purchaser.

(o) *Publicly Available Information.* Notwithstanding anything to the contrary contained in subsection 8.01(a), 8.01(b), or 8.01(e), at such time, and for so long as (and only for so long as), the Company is subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, the annual and quarterly information and reports and the management reports required to be delivered by the Company pursuant to subsections 8.01(a), 8.01(b) and 8.01(e) hereof shall not be required to be provided by the Company to the Purchasers, provided that the Company shall promptly provide to each Purchaser all information and reports required to be delivered by the Company under the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, as in effect on the date hereof.

8.02 ***Preservation of Corporate Existence.*** The Company shall, and shall cause each of its Subsidiaries to:

(a) preserve and maintain in full force and effect its corporate (or, as applicable, limited liability partnership or other entity) existence;

(b) conduct its business in accordance with sound business practices, keep its properties in good working order and condition (normal wear and tear excepted), and from time to time make all needed repairs to, renewals of or replacements of its properties (except to the extent that any of such properties are obsolete or are being replaced) so that the efficiency of its business operations shall be fully maintained and preserved; and

(c) file or cause to be filed in a timely manner all reports, applications, estimates and licenses that shall be required by each Governmental Authority.

8.03 ***Reservation of Shares.*** The Company shall at all times reserve and keep available out of its authorized share capital, solely for the purpose of issuance or delivery upon conversion of the Purchased Shares, the maximum number of shares of share capital that may be issuable or deliverable upon such exercise or conversion (the "***Conversion Shares***"). The Conversion Shares shall, when issued or delivered in accordance with the Articles of Association, be duly and validly issued and fully paid and non-assessable. The Company shall issue such share capital in accordance with the provisions of the Articles of Association and shall otherwise comply with the terms thereof.

8.04 ***Inspection.*** The Company will permit, and will cause each of its Subsidiaries to permit, representatives of each Purchaser to visit and inspect any of their properties, to examine their corporate, financial and operating records and make copies thereof or abstracts therefrom, and to discuss their affairs, finances and accounts with their respective directors, officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested, upon reasonable advance notice; provided, however, that no such inspection, examination or inquiry, the failure to conduct same, nor any knowledge of any Purchaser, including, without limitation, any knowledge obtained by such Purchaser in connection with any such inspection, investigation or inquiry, shall constitute a waiver of any rights any Purchaser may have under any representation, warranty, covenant, term or agreement under any of the Transaction Documents.

8.05 ***Books and Records.*** The Company shall, and shall cause each of its Subsidiaries to, keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each of its Subsidiaries in accordance with GAAP consistently applied to the Company and its Subsidiaries taken as a whole.

8.06 ***Use of Proceeds.*** The Company shall use the proceeds of the sale of Purchased Shares hereunder only as follows: (i) for the payment of fees and expenses in connection with the transactions contemplated hereunder and in the other Transaction Documents, (ii) for the payment of Merger Consideration (as defined in the Merger Agreement), and (iii) for general corporate purposes.

8.07 ***U.S. Tax Matters.*** (a) For so long as either Purchaser or any of their successors or assigns holds any share capital (collectively, the "***Holders***"), or rights to, directly or indirectly, acquire share capital, of the Company, including, without limitation, securities, directly or indirectly, exercisable for, convertible into or exchangeable for share capital of the Company (collectively, "***Capital Stock***"), the Company and its Subsidiaries shall provide each Holder with such co-operation and information as such Holder may reasonably request for the purposes of filing any tax return, amended tax return or claim for refund, determining a liability for taxes or a right to refund of taxes, participating in or conducting any audit or other proceeding in respect of taxes, or claiming the benefit of any tax treaty under which any withholding tax can be eliminated or reduced, or under which a refund of a tax credit may be claimed in each case relating to their subscription or holding of or enjoyment of rights attaching to such Holder's Capital Stock, including without limitation, (A) information necessary for such Holder to determine whether the Company is a "passive foreign investment company" within the meaning of Code Section 1297 ("PFIC"), a "controlled foreign corporation" within the meaning of Code Section 957 ("CFC"), or a "foreign personal holding company" within the meaning of Code Section 552 ("FPHC"); (B) for each year for which such Holder determines that the Company was or may have been a PFIC, information (including complying with applicable reporting requirements) necessary in order to enable such Holder to timely make a "qualified electing fund" election pursuant to Section 1295 of the Code or to make any similar election under any successor provision or legislation; (C) such co-operation and information as is required to timely comply with the U.S. federal income tax reporting and any related requirements of a U.S. person owning shares in a FPHC or of a "United States shareholder" of a CFC, within the meaning of Section 951(b) of the Code (a "***United States Shareholder***").

(b) The co-operation and information to be provided by the Company and its Subsidiaries pursuant to subsection (a) above shall include (without limitation):

(i) providing copies of relevant tax returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by authorities;

(ii) making the Company's employees, its Subsidiaries' employees, and the Company's accounting firms available on a basis mutually convenient to the parties to provide explanations of any documents or information provided by the Company; and

(iii) retaining all tax returns, schedules and work papers, records and other documents in its possession relating to tax matters of the Company and its Subsidiaries for each taxable period first ending after the Closing Date and for all prior taxable periods until the expiration of the statutory limitation period including extensions which applies generally (and not in cases of fraud or neglect) in relation to the bringing of claims by any tax authority in relation to the taxable periods to which such tax returns and other documents relate.

(c) Without limiting the foregoing, in any taxable year, the Company and each of its Subsidiaries shall, in respect of each taxable year, (A) prepare and maintain books and records in accordance with U.S. tax accounting principles on a December 31, U.S. tax year basis,

(B) calculate its accumulated earning and profits for U.S. federal income tax purposes ("***E&P***"), (C) calculate its current E&P for each year and (D) calculate the aggregate amount included in the gross income of all shareholders under section 951 of the Code for each year (assuming, for this purpose, that each shareholder is a "U.S. shareholder" within the meaning of Section 951(b) of the Code). The Company and each of its Subsidiaries shall prepare and make available the information described in this subsection to the shareholders of the Company in such form as the shareholders shall reasonably request as soon as practical after such determination is made, but in no event later than March 15 of the following year. The Company shall retain independent advisors acceptable to the shareholders to assist with the foregoing and will bear the expenses associated with such independent advisors.

(d) Prior to April 15 of the taxable year following the taxable year to which the distribution relates pursuant to Section 8.07(c) above, the Company shall, to the extent of its Available Cash (as defined below), declare and pay to each Tax Amounts Recipient (as defined in the Credit Agreement) its or his pro rata share of the Tax Amounts Payment (as defined in the Credit Agreement)."

"***Available Cash***" shall mean, as determined by the Board of Directors of the Company, the Company's and its Subsidiaries' cash less such portion thereof reasonably necessary for all of the Company's and its Subsidiaries' expenses, anticipated working capital needs, capital improvements, replacements, and contingencies; *provided* that the determination of Available Cash shall not be given effect unless such determination has been approved by the holders of not less than 75% of the Capital Stock held by all Holders (calculated on a fullydiluted basis). The distributions under this Section 8.07(d) shall not be made to the extent they would render the Company insolvent or necessitate borrowings (other than under any existing credit facility) by the Company.

(e) The Company shall promptly notify each Holder of any proposed issuance of Capital Stock by the Company or any proposed transfer, of which the Company is or becomes aware, of any Capital Stock by any shareholder of the Company.

(f) The Company shall bear all costs and expenses incurred in its performance of the undertakings set forth in this Section 8.07.

(g) The Company will not make any elections to treat the Company as anything other than an association taxable as a corporation for U.S. federal income tax purposes.

8.08 ***E-Documents.*** The Company shall, promptly following the Closing, cause its counsel to deliver via e-mail to each Purchaser and its Counsel, electronic versions of the Transaction Documents in either Microsoft Word or PDF Format. The Whitney copies shall be e-mailed to James Fordyce at jfordyce@whitney.com. The Golden Gate copies shall be e-mailed to Jesse Rogers at jesse@goldengatecap.com.

ARTICLE 9

MISCELLANEOUS

9.01 ***Survival of Representations and Warranties.*** All of the representations and warranties and covenants and agreements made herein shall survive the execution and delivery of this Agreement, any investigation by or on behalf of any Purchaser, acceptance of the Purchased Shares and payment therefor, or termination of this Agreement.

9.02 ***Notices.*** All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier (with receipt confirmed), courier service or personal delivery:

if to the Company:

WH Holdings (Cayman Islands) Ltd.
c/o M&C Corporate Services Limited
P.O. Box 309GT
Ugland House
South Church Street
Georgetown, Grand Cayman
Cayman Islands
Telecopier: (345) 949 8080
Attention: Alasdair Robertson

if to Whitney V:

Whitney V, L.P.
177 Broad Street
Stamford, Connecticut 06901
Telecopier: (203) 975-1422
Attention: Daniel J. O'Brien

with a copy to:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, NY 10112
Telecopier: (212) 541 5369
Attention: Thomas C. Meriam

if to Golden Gate Fund

c/o Golden Gate Private Equity, Inc.
One Embarcadero Center
Suite 3300
San Francisco, CA 94111
Telecopier: (415) 627-4501
Attention: Jesse Rogers

with a copy to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, IL 60601
Telecopier: (312) 861-2200
Attention: Gary M. Holihan

[ADD NOTICE PROVISION FOR ACQUISITION]

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial overnight courier service; if mailed, five Business Days after being deposited in the mail, postage prepaid; or if telecopied, when receipt is acknowledged.

9.03 ***Successors and Assigns.*** This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto. Subject to applicable securities laws, (i) prior to the Closing Date, (A) a Purchaser may assign its right under this Agreement to purchase all or part of such Purchaser's portion of the Purchased Shares to any other Purchaser or (B) a Purchaser may assign its rights under this Agreement to Affiliates, (ii) after the Closing Date, a Purchaser may assign any of its rights under any of the Transaction Documents to any Person (in accordance with the restrictions set forth in the Transaction Documents) and (iii) any holder of the Purchased Shares or the Conversion Shares may assign, in whole or in part, the Purchased Shares or the Conversion Shares to any Person subject to the Shareholders' Agreement and Institutional Shareholders' Agreement. The Company may not assign any of its rights, or delegate any of its obligations, under this Agreement without the prior written consent of the Purchasers, and any such purported assignment by the Company without such written consent of the Purchasers shall be void and of no effect. Except as provided in Article 7, no Person other than the parties hereto and their successors and permitted assigns is intended to be a beneficiary of any of the Transaction Documents.

9.04 ***Amendment and Waiver.*** (a) No failure or delay on the part of any of the parties hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for in this Agreement are cumulative and are not exclusive of any remedies that may be available to the parties hereto at law, in equity or otherwise.

(b) No amendment, supplement or modification of or to any provision of this Agreement or any of the other Transaction Documents, or any waiver of any such provision or consent to any departure by any party from the terms any such provision may be made orally.

(c) Any (i) amendment, supplement or modification hereto, (ii) consent hereunder or (iii) waiver of any provision (collectively, "***Modification***") of this Agreement shall be effective as to all parties hereto if given pursuant to a written agreement signed by the Company and the holders of at least 75% of all the then outstanding Purchased Shares. No Modification of any of the provisions of Article 2, Article 8 or Section 9.04(b), 9.04(c) or 9.04(d) shall be effective without the prior written consent of all of the parties hereto.

(d) Any amendment, supplement or modification of or to any provision of this Agreement, any waiver of any provision of this Agreement, and any consent to any departure by any party from the terms of any provision of this Agreement made or given in conformity herewith, shall (i) apply to all of the parties hereto and their successors and assigns and (ii) be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, no notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances.

9.05 ***Signatures; Counterparts.*** Telefacsimile transmissions of any executed original document and/or retransmission of any executed telefacsimile transmission shall be deemed to be the same as the delivery of an executed original. At the request of any party hereto, the other parties hereto shall confirm telefacsimile transmissions by executing duplicate original documents and delivering the same to the requesting party or parties. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

9.06 ***Headings.*** The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

9.07 ***Governing Law.*** This Agreement shall be governed by, construed in accordance with, and enforced under, the law of the State of New York applicable to agreements or instruments entered into and performed entirely within such state.

9.08 ***Determinations, Request or Consents.*** All determinations, requests, consents, waivers or amendments to be made by any Purchaser in its opinion or judgment or with its approval or otherwise pursuant to the Transaction Documents shall be made with respect to the Purchased Shares, by the holders of the requisite amount of the Purchased Shares.

9.09 ***Jurisdiction, Waiver of Jury Trial, Etc.*** (a) Each party to this Agreement hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement, the Purchased Shares, or any agreements or transactions contemplated hereby or thereby may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York and hereby expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Each party hereby irrevocably consents to the service of process of any of the aforementioned courts in any such suit, action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to its address set forth in Section 9.02, such service to become effective 10 days after such mailing.

(b) Each of the Company and its Subsidiaries hereby waivess its right to a jury trial with respect to any action or claim arising out of any dispute in connection with this Agreement, the Purchased Shares or any of the other Transaction Documents, any rights or obligations hereunder or thereunder or the performance of such rights and obligations. Each of the Company and its Subsidiaries (i) certifies that no representative, agent or attorney of Whitney V or Golden Gate Fund has represented, expressly or otherwise, that Whitney V or Golden Gate Fund would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that Whitney V and Golden Gate Fund has been induced to enter into this Agreement and the other Transaction Documents to which it is party by, among other things, the waivers and certifications contained herein.

9.10 ***Severability.*** If any one or more of the provisions contained in this Agreement, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions of this Agreement. The parties hereto further agree to replace such invalid, illegal or unenforceable provision of this Agreement with a valid, legal and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

9.11 ***Rules of Construction.*** Unless the context otherwise requires, "or" is not exclusive, and references to sections or subsections refer to sections or subsections of this Agreement.

9.12 ***Entire Agreement.*** This Agreement, together with the exhibits and schedules hereto and the other Transaction Documents, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein. This Agreement, together with the exhibits and schedules hereto, and the other Transaction Documents supersede all prior agreements and understandings between the parties with respect to such subject matter, including without limitation, that certain letter agreement and the attached term sheet dated April 10, 2002 between Whitney & Co., LLC and Golden Gate Private Equity, Inc.

9.13 ***Certain Expenses.*** The Company will pay all expenses of each Purchaser (including, without limitation, fees, charges and disbursements of counsel) in connection with any amendment, supplement, modification or waiver of or to any provision of this Agreement or any of the other Transaction Documents or any documents relating thereto (including, without limitation, a response to a request by the Company for the Purchasers' consent to any action otherwise prohibited hereunder or thereunder), or consent to any departure from, the terms of any provision of this Agreement or such other documents.

9.14 ***Publicity.*** Except as may be required by applicable law, none of the parties hereto shall issue a publicity release or announcement or otherwise make any public disclosure concerning this Agreement or the transactions contemplated hereby, without prior approval by each of the other parties hereto. If any announcement is required by law to be made by any party hereto, prior to making such announcement such party will deliver a draft of such announcement to the other parties and shall give the other parties an opportunity to comment thereon. Notwithstanding the foregoing, Whitney, Golden Gate and their affiliates may list the Company's name and logo, and describe the Company's business in their marketing materials and may post such information on their website.

9.15 ***Further Assurances.*** Each of the parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations, or other actions by, or giving any notices to, or making any filings with, any Governmental Authority or any other Person) as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement, including, without limitation, any postclosing assignment(s) by the Purchasers of a portion of the Purchased Shares or the Conversion Shares to a Person not currently a party hereto.

9.16 ***Obligations of the Purchasers.*** Each Purchaser's obligations and the obligations of the Company hereunder are subject to the execution and delivery of this Agreement by each of the Purchasers. The obligations of each Purchaser shall be several and not joint and no Purchaser shall be liable or responsible for the acts or omissions of any other Purchaser. No knowledge of, or investigation, including without limitation, due diligence investigation, conducted by, or on behalf of, the Purchasers shall limit, modify or affect the representations set forth in Article 5 of this Agreement or the right of the Purchasers to rely thereon.

9.17 ***No Strict Construction.*** The parties hereto have participated jointly in the negotiation and drafting of this Agreement and the other Transaction Documents. In the event an ambiguity or question of intent or interpretation arises under any provision of this Agreement or any Transaction Document, this Agreement and such other Transaction Document shall be construed as if drafted jointly by the parties hereto and thereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement or any other Transaction Document.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers hereunto duly authorized as of the date first above written.

WH HOLDINGS (CAYMAN ISLANDS) LTD.

By: /s/ STEVEN E. RODGERS

Name: Steven E. Rodgers
Title: President

WH INVESTMENTS LTD.

By: /s/ STEVEN E. RODGERS

Name: Steven E. Rodgers
Title:

WHITNEY V, L.P.

By: Whitney Equity Partners V, LLC,
Its General Partner

By: /s/ ILLEGIBLE

Name:
A Managing Member

WHITNEY STRATEGIC PARTNERS V, L.P.

By: Whitney Equity Partners V, LLC,
Its General Partner

By: /s/ ILLEGIBLE

Name:
A Managing Member

CCG INVESTMENTS (BVI), L.P.
CCG ASSOCIATES—QP, LLC
CCG ASSOCIATES—AI, LLC
CCG INVESTMENT FUND—AI, LP
CCG AV, LLC—SERIES C
CCG AV, LLC—SERIES E

By: Golden Gate Capital Management, L.L.C.
Its: Autorized Representative

By: /s/ JESSE T. ROGERS

Name: Jesse T. Rogers

Its: Managing Director

[Signature Page to Share Purchase Agreement]

WH ACQUISITION CORP.

By: /s/ STEVEN E. RODGERS

Name: Steven E. Rodgers
A Managing Member

EXHIBIT A

Registration Rights Agreement

(SEE TAB 54)

EXHIBIT B

Shareholders Agreement

(SEE TAB 53)

EXHIBIT C

Institutional Shareholders Agreement

(SEE TAB 55)

EXHIBIT D

COMPLIANCE CERTIFICATE

WH HOLDINGS (CAYMAN ISLANDS) LTD.

Date: , 20

This certificate is given by WH Holdings (Cayman Islands) Ltd., a Cayman Islands company (the ***"Company")***, pursuant to Section 9.01(c) of that certain Share Purchase Agreement dated as of [ ], 2002 by and among the Company, Whitney V, L.P., Whitney Strategic Partners V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-SERIES C and CCG AV, LLC-SERIES E, as such agreement may have been amended, restated, supplemented or otherwise modified from time to time (the ***"Agreement")***. Capitalized terms used herein without definition shall have the meanings set forth in the Agreement.

The officer executing this certificate is the Chief Financial Officer of the Company and as such is duly authorized to execute and deliver this certificate on behalf of the Company. By executing this certificate such officer hereby certifies that:

(a) the financial statements delivered with this certificate in accordance with Section 9.1(a) and/or 9.1(b) of the Agreement fairly present in all material respects the financial condition of the Company and its Subsidiaries as of the dates of such financial statements and their results of operations and cash flows for the periods then ended;

(b) he has reviewed the terms of the Agreement and has made, or caused to be made under his supervision, a review in reasonable detail of the transactions and conditions of the Company and its Subsidiaries during the accounting period covered by such financial statements;

(c) such review has not disclosed the existence during or at the end of such accounting period, and he has no knowledge of the existence as of the date hereof, of any condition or event that constitutes a breach of any provision of the Transaction Documents, except as set forth in Exhibit A hereto, which includes a description of the nature and period of existence of such breach and what action the Company has taken, is undertaking and proposes to take with respect thereto; and

(d) the Company and its Subsidiaries are in compliance with the covenants contained in Article 9.

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IN WITNESS WHEREOF, the Company has caused this Certificate to be executed by its Chief Financial Officer this day of , 20 .

WH HOLDINGS (CAYMAN ISLANDS) LTD.

By: ______________________________

Name:
Title: Chief Financial Officer

[SIGNATURE PAGE TO COMPLIANCE CERTIFICATE]

EXHIBIT E

GOLDEN GATE MONITORING AGREEMENT

(SEE TAB 184)

EXHIBIT F

WHITNEY MONITORING AGREEMENT

(SEE TAB 183)

Schedule of Purchasers

Purchaser	Number of Purchased Shares	Purchase Price Per Share		Aggregate Principal Price	
Whitney Fund					
Whitney V, L.P.	48,687,883			$	85,690,674.08
Whitney Strategic Partners V, L.P.	426,832			$	751,224.32
subtotal:	49,114,715	$	1.76	$	86,441,898.40
Golden Gate Fund					
CCG Investments (BVI), L.P.	24,619,552			$	43,330,411.52
CCG Associates—QP, LLC	1,237,600			$	2,178,176.00
CCG Associates—AI, LLC	115,074			$	202,530.24
CCG Investments Fund—AI, LP	329,823			$	580,488.48
CCG AV, LLC—SERIES C	812,182			$	1,429,442.32
CCG CI, LLC—SERIES E	634,672			$	1,117,022.72
subtotal:	28,986,503	$	1.76	$	48,838,069.28
Investments					
WH Investments Ltd.	14,840,922	$	1.76	$	26,120,022.72
TOTAL:	**92,942,240**	**$**	**1.76**		**161,399,990.40**

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
WH Holdings (Cayman Islands) Ltd.:

We consent to the use of our report dated February 19, 2004, except as to note 17, which is as of March 8, 2004, with respect to the consolidated balance sheet of WH Holdings (Cayman Islands) Ltd. and subsidiaries as of December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the year ended December 31, 2003, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

Los Angeles, California
November 9, 2004

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Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to use in this Amendment No. 2 to Registration Statement No. 333-119485 of WH Holdings (Cayman Islands) Ltd. on Form S-1 of our report dated February 19, 2004, (except for earnings per share information as to which the date is October 1, 2004) appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
November 9, 2004