UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-32381

HERBALIFE LTD.
(Exact name of registrant as specified in its charter)

Cayman Islands (State or other jurisdiction of incorporation or organization)	**98-0377871** (I.R.S. Employer Identification No.)

P.O. Box 309GT
Ugland House, South Church Street
Grand Cayman, Cayman Islands
(Address of principal executive offices) (Zip code)

(310) 410-9600*
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of registrant's common shares outstanding as of August 1, 2005 was 68,734,346.

* C/O Chief Financial Officer of Herbalife International, Inc.

HERBALIFE LTD.

Index to Financial Statements and Exhibits
Filed with the Quarterly Report of the Company on Form 10-Q
For the Three and Six Months Ended June 30, 2005

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

HERBALIFE LTD.

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	June 30, 2005 (unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$201,577,000	$100,728,000
Receivables, net of allowance for doubtful accounts of $4,815,000 (2004) and $5,135,000 (2005)	29,546,000	41,303,000
Inventories	71,092,000	77,639,000
Prepaid expenses and other current assets	45,914,000	39,619,000
Deferred income taxes	21,784,000	14,934,000
Total current assets	369,913,000	274,223,000
Property, at cost, net of accumulated depreciation and amortization of $20,463,000 (2004) and $24,023,000 (2005)	55,390,000	58,122,000
Deferred compensation plan assets	12,052,000	12,867,000
Other assets	7,957,000	7,969,000
Deferred financing costs, net of accumulated amortization of $231,000 (2004) and $723,000 (2005)	6,860,000	5,197,000
Marketing franchise	310,000,000	310,000,000
Distributor network, net of accumulated amortization of $45,272,000 (2004) and $54,639,000 (2005)	10,928,000	1,561,000
Product certification, product formulae and other intangible assets, net of accumulated amortization of $14,692,000 (2004) and $16,242,000 (2005)	8,084,000	6,535,000
Goodwill	167,517,000	160,550,000
TOTAL	$948,701,000	$837,024,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 24,457,000	$ 33,980,000
Royalty overrides	85,304,000	75,822,000
Accrued compensation	27,016,000	27,810,000
Accrued expenses	87,227,000	79,677,000
Current portion of long term debt	120,291,000	9,127,000
Advance sales deposits	9,490,000	15,086,000
Income taxes payable	17,684,000	23,682,000
Total current liabilities	371,469,000	265,184,000
NON-CURRENT LIABILITIES:		
Long term debt, net of current portion	365,926,000	327,163,000
Deferred compensation	13,882,000	13,461,000
Deferred income taxes	130,346,000	127,013,000
Other non-current liabilities	2,736,000	2,511,000
Total liabilities	884,359,000	735,332,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common shares, $0.002 par value, 175,000,000 shares authorized, 68,630,834 (2004) and 68,703,453 (2005) shares issued and outstanding	137,000	137,000
Paid-in-capital in excess of par value	74,593,000	76,611,000
Accumulated other comprehensive income	3,923,000	3,205,000
Retained earnings (accumulated deficit)	(14,311,000)	21,739,000
Total shareholders' equity	64,342,000	101,692,000
TOTAL	$948,701,000	$837,024,000

See the accompanying notes to consolidated financial statements

HERBALIFE LTD.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
	(unaudited)			
Product sales	$ 278,519,000	$ 331,399,000	$ 556,658,000	$ 651,623,000
Handling & freight income	45,641,000	53,268,000	91,554,000	105,104,000
Net sales	324,160,000	384,667,000	648,212,000	756,727,000
Cost of sales	66,245,000	77,373,000	129,863,000	153,110,000
Gross profit	257,915,000	307,294,000	518,349,000	603,617,000
Royalty overrides	114,532,000	137,089,000	230,388,000	272,257,000
Selling, general & administrative expenses	105,199,000	117,817,000	213,039,000	227,846,000
Operating income	38,184,000	52,388,000	74,922,000	103,514,000

Interest expense, net	14,256,000	7,446,000	41,629,000	29,648,000
Income before income taxes	23,928,000	44,942,000	33,293,000	73,866,000
Income taxes	11,840,000	22,168,000	21,689,000	37,815,000
NET INCOME	$ 12,088,000	$ 22,774,000	$ 11,604,000	$ 36,051,000
Earnings per share:				
Basic	$ 0.23	$ 0.33	$ 0.22	$ 0.53
Diluted	$ 0.22	$ 0.32	$ 0.21	$ 0.50
Weighted average shares outstanding:				
Basic	52,063,000	68,678,000	52,049,000	68,661,000
Diluted	55,066,000	71,860,000	55,010,000	71,833,000

See the accompanying notes to consolidated financial statements

HERBALIFE LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2005
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,604,000	$ 36,051,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,018,000	20,318,000
Amortization of discount and deferred financing costs	3,397,000	760,000
Deferred income taxes	(14,746,000)	4,483,000
Unrealized foreign exchange loss	1,656,000	(2,036,000)
Write-off of deferred financing costs and unamortized discounts	4,077,000	4,499,000
Other	1,096,000	2,308,000
Changes in operating assets and liabilities:		
Receivables	(1,673,000)	(12,286,000)
Inventories	(13,126,000)	(8,954,000)
Prepaid expenses and other current assets	(2,689,000)	5,623,000
Accounts payable	1,532,000	11,403,000
Royalty overrides	(1,246,000)	(6,640,000)
Accrued expenses and accrued compensation	27,079,000)	(4,001,000)
Advance sales deposits	5,324,000	5,878,000
Income taxes payable	23,796,000	13,262,000
Deferred compensation liability	(3,510,000)	(421,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	65,589,000	70,247,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(10,320,000)	(12,426,000)
Proceeds from sale of property	5,000	30,000
Net change in restricted cash	5,701,000	—
Changes in other assets	(3,324,000)	(975,000)
Deferred compensation plan assets	(80,000)	(631,000)
NET CASH USED IN INVESTING ACTIVITIES	(8,018,000)	(14,002,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on Preferred Shares	(38,500,000)	—
Issuance of 9½% Notes	267,438,000	—
Borrowings from long-term debt	217,000	172,000
Principal payments on long-term debt	(52,397,000)	(153,486,000)
Conversion of Preferred Shares	(183,115,000)	—
Repurchase of 15½% Senior Notes	(39,644,000)	—
Exercise of Stock Options	86,000	341,000
Other	—	(527,000)
NET CASH USED IN FINANCING ACTIVITIES	(45,915,000)	(153,500,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5,203,000)	(3,594,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,453,000	(100,849,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	150,679,000	201,577,000
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 157,132,000	$ 100,728,000
CASH PAID FOR:		
Interest	$ 28,402,000	$ 25,700,000
Income taxes	$ 14,139,000	$ 12,970,000
NON-CASH ACTIVITIES:		
Acquisitions of property through capital leases	$ 1,510,000	$ 413,000

See the accompanying notes to consolidated financial statements

HERBALIFE LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Herbalife 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.

IPO Recapitalization

On December 16, 2004, Herbalife completed an initial public offering (the "IPO"), whereby it offered its common shares as part of a series of recapitalization transactions as follows:

- a tender offer for $159.8 million of the outstanding $11\frac{3}{4}\%$ senior subordinated notes due 2010, issued by Herbalife International, which are referred to as the $11\frac{3}{4}\%$ Notes;
- the replacement of Herbalife International's existing $205.0 million senior credit facility with a new $225.0 million senior credit facility;
- the payment of a $139.8 million special cash dividend to the then current shareholders of Herbalife, in which the new purchasers of Herbalife common shares in the IPO were not entitled to participate; and
- the amendment of Herbalife's Memorandum and Articles of Association to: (1) effect a 1:2 reverse stock split of Herbalife's common shares; (2) increase Herbalife's authorized common shares to 500 million shares; and (3) increase Herbalife's authorized preference shares to 7.5 million shares, all of which took effect on December 1, 2004.

As a planned continuation of the IPO recapitalization, Herbalife exercised a contract provision in December 2004 to redeem 40%, or $110.0 million principal value (excluding a premium of $10.5 million), of the $9\frac{1}{2}\%$ notes due 2011, which are referred to as the $9\frac{1}{2}\%$ Notes. After the required notice period, this redemption was completed on February 4, 2005. The redemption premium of $10.5 million and the write-off of deferred financing fees of $3.7 million associated with this redemption are included in interest expense in the first quarter of 2005.

In connection with the IPO and the recapitalization, the Company incurred $24.5 million in fees and expenses of which $19.7 million were associated with the IPO (included in equity) and $4.8 million were associated with the establishment of the new credit facility (included in deferred financing costs).

2. Basis of Presentation

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission'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 three and six months ended June 30, 2005 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 June 30, 2005 and for the three and six months ended June 30, 2004 and June 30, 2005. Operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

New Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") enacted Statement of Financial Accounting Standards 123—revised 2004 ("SFAS 123R"), "Share-Based Payment" which replaces Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of operations. The accounting provisions of SFAS 123R are effective for reporting periods beginning after December 15, 2005.

We are required to adopt SFAS 123R in the first quarter of fiscal 2006. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. See Note 8 in our Notes to Consolidated Financial Statements for the pro forma net income and net income per share amounts, for the three and six months ended June 30, 2004 and June 30, 2005, as if we had used a fair-value-based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and on a preliminary basis we expect the adoption will not have a material impact on the Company's consolidated statements of operations, relative to currently existing options.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FAS 109-2"), "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creations Act of 2004" ("AJCA"). The AJCA introduces a limited time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. Although FAS 109-2 is effective immediately, we do not expect to be able to complete our evaluation of the repatriation provision until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision. In January 2005, the Treasury Department began to issue the first of a series of clarifying guidance documents related to this provision. We are currently evaluating this provision and expect to complete the evaluation of the effects of the repatriation provision within the third quarter of 2005.

Reclassifications

Certain reclassifications were made to the prior period financial statements to conform to current period presentation.

3. Transactions with related parties

The Company 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 was 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 Herbalife International's credit agreement. On December 1, 2004, the Company agreed with Whitney and Golden Gate to terminate the monitoring fee agreements in

consideration for 0.7 million warrants, which were valued at approximately $2.9 million using the Black-Scholes option pricing model and the entire impact of which was included in Selling, General & Administrative expenses in 2004. For the three and six months ended June 30, 2004, the Company expensed monitoring fees in the amount of

$1.2 million and $2.5 million, and other expenses of $0.5 million and $1.0 million, respectively.

In December 2004, the Company entered into a termination agreement with the parties to the Share Purchase Agreement. Pursuant to the termination agreement, the Share Purchase Agreement and all obligations and liabilities of the parties under the Share Purchase Agreement were terminated. As consideration for the termination of the Share Purchase Agreement, the Company have entered into a Tax Indemnification Agreement with Whitney and Golden Gate (and/or their affiliates) pursuant to which the Company has agreed to indemnify each of those parties for the Federal income tax liability and any related losses they incur in respect of income of Herbalife that is (or would be) includible in the gross income of that party for any taxable period under Section 951(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Under the terms of the Tax Indemnification Agreement, the Company assume, for this purpose, that each indemnified party is a "United States shareholder" as defined in Section 951(b) of the Code. The Company does not, however, have any obligation to provide an indemnity with respect to any taxes or related losses incurred that have been reimbursed under the Share Purchase Agreement. The new credit facility permits the Company to pay these tax indemnity payments, but restricts the aggregate amount that the Company can pay in any given year to no more than $15 million. The Company currently anticipates that any amounts that are required to be paid under this agreement in the future will be immaterial to the Company's financial condition and operating results.

In 2004, Whitney acquired a 50 percent indirect ownership interest in Shuster Laboratories, Inc. ("Shuster"), a provider of product testing and formula development for Herbalife. For the three and six months ended June 30, 2005, total purchases from Shuster were zero and $0.02 million, respectively. For the three and six months ended June 30, 2004, there were no purchases from Shuster.

In 2004, Whitney acquired a 50 percent indirect ownership interest in TBA Entertainment ("TBA"), a provider of creative services to Herbalife. While there were no services performed in 2004 by TBA for Herbalife, for the three and six months ended June 30, 2005 payments of $1.1 million and $5.7 million, respectively, were made to TBA for services relating to the 25th Anniversary Extravaganza, the majority of which were reimbursements of Extravaganza expenses paid to third parties.

In 2004, Golden Gate acquired a 47 percent ownership interest in Leiner Health Products Inc. ("Leiner"), a nutritional manufacturer and supplier of certain Herbalife products. For the three and six months ended June 30, 2005, total purchases from Leiner were $0.03 million and $0.14 million, respectively. For the three and six months ended June 30, 2004, total purchases from Leiner were $0.02 million and $0.35 million, respectively.

In January 2005, Whitney, together with its affiliates, acquired a 77 percent ownership interest in Stauber Performance Ingredients ("Stauber"), a value-added distributor of bulk specialty nutraceutical ingredients. For the three and six months ended June 30, 2005, total purchases from Stauber were $0.36 million and $0.46 million, respectively.

The Company believes that the transactions with the above entities were done on an "arms length" basis with "fair market pricing".

4. Long-Term Debt

Long-term debt consists of the following:

	As of December 31, 2004	As of June 30, 2005
	(dollars in millions)	
Borrowings under senior credit facility	$ 200.0	$ 164.0
9½% Notes	268.1	161.1
11¾% Notes	0.2	0.1
Capital leases	9.2	6.2
Other debt	8.7	4.9
	486.2	336.3
Less: current portion	120.3	9.1
	$ 365.9	$ 327.2

In February 2005, the Company redeemed $110.0 million principal value or 40% of the outstanding principal amount of the 9½% Notes for a cash payment of $124.1 million, which included a redemption premium of $10.5 million and accrued interest of $3.6 million. In addition, the Company expensed $3.7 million of related unamortized deferred financing costs and discount.

In May 2005 and June 2005, the Company made prepayments to the term loan borrowings under the senior credit facility of $25 million and $10 million, respectively. Consequently, the Company expensed $0.5 million and $0.2 million of related unamortized deferred financing costs.

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 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 vicariously 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. The Company believes that it has meritorious defenses to the suit.

Herbalife International and certain of its independent distributors have been named as defendants in a purported class action lawsuit filed February 17, 2005 in the Superior Court of California, County of San Francisco, and served on Herbalife International on March 14, 2005 (*Minton v. Herbalife International, et al*). A motion filed by Herbalife International on April 8, 2005 to transfer the case to the Los Angeles County Superior Court has been granted. The plaintiff is challenging the marketing practices of certain Herbalife International independent distributors and Herbalife International under various state laws prohibiting "endless chain schemes," insufficient disclosure in assisted marketing plans, unfair and deceptive business practices, and fraud and deceit. The plaintiff alleges that the Freedom Group system operated by certain independent distributors of Herbalife International products places too much

emphasis on recruiting and encourages excessively large purchases of product and promotional materials by distributors. The plaintiff also alleges that Freedom Group pressured distributors to disseminate misleading promotional materials. The plaintiff seeks to hold Herbalife International vicariously liable for the actions of its independent distributors and is seeking damages and injunctive relief. The Company believes that it has meritorious defenses to the suit.

In February 2005, Herbalife voluntarily elected to temporarily withdraw its Sesame & Herb tablet product from the Israeli market. This product, which has been on the market since 1989, is sold only in Israel. Herbalife's voluntary decision to temporarily withdraw this product accompanied the initiation of a review by the Israeli Ministry of Health (the "Israel MOH") of a small number of anecdotal case reports of individuals having liver dysfunction who had also consumed Herbalife products. Herbalife scientists and medical doctors are closely cooperating with the Ministry of Health to facilitate this ongoing review. In May 2005, the Israel MOH issued a press release stating that although their investigation was continuing, no causal link has been shown between the consumption of Herbalife products and liver function abnormalities. In addition, the Israel MOH requested that individuals consuming or intending to consume Herbalife products obtain liver function tests before and one month after beginning their use, and that persons with liver function disorders refrain from consuming dietary supplements. Independent analysis of Herbalife's Israeli products has confirmed that Herbalife products do not contain any substances indicated by the Israel MOH as being of concern in relation to this small number of reported cases of liver dysfunction. Herbalife believes that Herbalife products are not the cause of these few reported anecdotal cases of liver dysfunction.

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 and is 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 the Company. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with a self insured retention of $10 million.

Certain of the Company's 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 Company and its tax advisors believe that there are substantial defenses to the allegations that additional taxes are owing, and the Company is 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 effect on the Company's financial condition and operating results. This opinion is based on the belief that any losses suffered in excess of amounts reserved would not be material and that the Company has meritorious defenses. Although the Company has reserved an amount that it believes represents the likely outcome of the resolution of these disputes, if the Company is incorrect in the assessment the Company may have to record additional expenses.

6. Comprehensive Income

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
Net income	$12.1	$22.8	$11.6	$36.1
Unrealized gain (loss) on derivative instruments	1.3	—	3.2	0.5
Reclassification adjustments for loss on derivative instruments	(0.6)	—	(1.8)	—
Foreign currency translation adjustment	(2.0)	(1.6)	(2.1)	(1.2)
Comprehensive income	$10.8	$21.2	$10.9	$35.4

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 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 sells products in 60 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.

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.

The Company's geographic operating information and sales by product line are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
Net Sales:				
United States	$ 69.3	$ 78.2	$ 133.4	$ 145.2
Japan	21.6	20.2	51.5	47.1
Mexico	22.1	50.1	43.9	87.5
Others	211.2	236.2	419.4	476.9
Total Net Sales	$ 324.2	$ 384.7	$ 648.2	$ 756.7
Operating margin:				
United States	$ 29.0	$ 34.2	$ 55.3	$ 59.3
Japan	11.2	10.3	26.6	23.9
Mexico	9.2	21.3	17.8	37.4
Others	94.0	104.4	188.2	210.8
Total Operating margin	$ 143.4	$ 170.2	$ 287.9	$ 331.4
Selling, general and administrative expense	105.2	117.8	213.0	227.8
Interest expense, net	14.3	7.5	41.6	29.7
Income before income taxes and minority interest	23.9	44.9	33.3	73.9
Income taxes	11.8	22.1	21.7	37.8
Net Income	$ 12.1	$ 22.8	$ 11.6	$ 36.1
Net sales by product line:				
Weight management	$ 140.0	$ 165.1	$ 282.1	$ 325.1
Inner nutrition	138.0	157.7	277.3	309.5
Outer Nutrition®	28.0	43.4	57.7	86.0

Literature, promotional and other	18.2	18.5	31.1	36.1
Total Net Sales	$ 324.2	$ 384.7	$ 648.2	$ 756.7
Net sales by geographic region:				
Americas	$ 116.1	$ 166.8	$ 227.4	$ 307.4
Europe	137.4	141.8	274.1	286.4
Asia/Pacific Rim (excluding Japan)	49.1	55.8	95.2	115.8
Japan	21.6	20.3	51.5	47.1
Total Net Sales	$ 324.2	$ 384.7	$ 648.2	$ 756.7

	As of	
	December 31, 2004	June 30, 2005
	(in millions)	
Total Assets:		
United States	$ 587.8	$ 455.9
Japan	60.3	54.8
Mexico	27.5	37.1
Others	273.1	289.2
Total Assets	$ 948.7	$ 837.0

8. Stock Based Compensation

The Company has three stock based compensation plans which are the WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan ("The Management Plan"), the WH Holdings (Cayman Islands) Ltd. Independent Directors Stock Incentive Plan ("The Independent Directors Plan") and the Herbalife Ltd. 2004 Incentive Plan ("2004 Stock Incentive 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 2004 Stock Incentive Plan is intended to replace the Management Plan and the Independent Directors Plan. No additional awards will be made under either the Management Plan or the Independent Directors Plan. However, the shares remaining available for issuance under these plans will be absorbed by and become available for issuance under the 2004 Stock Incentive Plan.

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 to the extent 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:

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
	(in millions)			
Net income as reported	$ 12.1	$ 22.8	$ 11.6	$ 36.1
Add: Stock-based employee compensation expense included in reported net income, net of tax	0.3	0.2	0.6	1.3
less: Stock-based employee compensation expense determined under fair value based methods for all awards, net of tax	(0.5)	(1.3)	(0.9)	(3.9)
Pro forma net income	$ 11.9	$ 21.7	$ 11.3	$ 33.5

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 forecasted foreign currency cash flows where the hedging strategy involves the purchase of average rate options. The Company also engages in an interest rate hedging strategy for which the hedged transactions are forecasted interest payments on the Company's variable rate term loan. The hedged risk is the variability of forecasted interest rate cash flows, where the hedging strategy involves the purchase of interest rate swaps. For the outstanding cash flow hedges on foreign exchange exposures at June 30, 2004 and June 30, 2005, the maximum length of time over which the Company is hedging these exposures is 6 months. For the outstanding cash flow hedges on interest rate exposures at June 30, 2004 and June 30, 2005, the maximum length of time over which the

Company is hedging these exposures is approximately three years. For all qualifying and highly effective cash flow hedges, the changes in the effective portion of the fair value of the derivative are deferred and recorded in other comprehensive income ("OCI") until the related forecasted transaction is recognized in the consolidated statements of income. The estimated net amount of existing gains and losses expected to be reclassified into earnings over the next 12 months is $1.0 million. The ineffective portion of the hedges was $0.1 million for the six months ended June 30, 2005. At June 30, 2005, the pre-tax OCI balance related to the cash flow hedges was $0.7 million.

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 statements of income. 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. The company also uses foreign currency forward contracts, which give the company the obligation to buy or sell foreign currency at a specified time and rate. The contracts are used to protect against changes in the functional currency equivalent value of intercompany or third party nonfunctional currency payables and receivables. The fair value of the option and forward contracts are based on third-party bank quotes.

10. 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 following table summarizes the activity in the Company's restructuring accrual:

	January 1, 2004 to December 31, 2004	January 1, 2005 to June 30, 2005
	(in millions)	
Beginning balance	$ 2.5	$ 0.7
Additional accrual	—	—
Payments made	(1.8)	(0.3)
Ending Balance	$ 0.7	$ 0.4

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

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 $1.3 billion for the year ended December 31, 2004. We sell our products in 60 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, has been the primary reasons for our success throughout our 25-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 retailing of our product, recruitment and retention of distributors and improving distributor productivity, entering new markets, further penetrating existing markets, pursuing local distributor initiatives, introducing new products, developing niche market segments and further investing in our infrastructure.

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

	Three Months Ended			Six Months Ended		
	June 30, 2004	June 30, 2005	% change	June 30, 2004	June 30, 2005	% change
	(volume points in millions)					
The Americas	181,126	265,512	46.6%	363,743	490,060	34.7%
Europe	150,640	146,983	(2.4)%	303,767	292,210	(3.8)%
Asia/Pacific Rim	64,828	69,506	7.2%	122,923	141,936	15.5%
Japan	16,095	15,393	(4.4)%	38,456	34,236	(11.0)%
Worldwide	412,689	497,394	20.5%	828,889	958,442	15.6%

Another key non-financial measure on which 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 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 qualification

process that occurs during this period. 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. Fluctuations within each notable country are discussed in the appropriate net sales section below where pertinent.

Number of Supervisors by Geographic Region as of Reporting Period

	As of June 30,		
	2004	2005	% change
The Americas	93,492	115,323	23.4%
Europe	84,876	79,521	(6.3)%
Asia/Pacific Rim	40,258	47,043	16.9%
Japan	15,202	11,139	(26.7)%
Worldwide	233,828	253,026	8.2%

Number of Supervisors by Geographic Region as of Requalification Period

As of February,

	2004	2005	% change
The Americas	75,359	87,925	16.7%
Europe	70,239	65,104	(7.3)%
Asia/Pacific Rim	31,790	38,524	21.2%
Japan	13,946	9,547	(31.5)%
Worldwide	191,334	201,100	5.1%

Supervisors must requalify 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 requalify 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 recruitment 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.

In 2004 we made a modification to the supervisor requalification criteria as a limited test. This modification allowed distributors who otherwise would have failed to requalify as supervisors to continue to purchase products from the Company and to receive the benefit of product discounts, while forfeiting their down-line royalties. We believe this test was successful because we retained approximately 10,000 distributors, and generated approximately 12 million additional Volume Points, annualized, which would represent approximately $9.4 million in net sales, $5.2 million in operating margin and an immaterial impact to Selling, General & Administrative Expenses. As a result of the test, the Company has modified the supervisor requalification criteria for all distributors in 2005. While the Company cannot predict the effect of this modification with certainty, we believe that this modification will likely lead to a higher level of supervisor retention and increased product sales.

We provide distributors with products, support material, training, special events and a competitive compensation program. If a distributor wants to pursue the Herbalife business opportunity, the distributor is responsible for growing his or her business and personally pays for the sales activities related to attracting new customers and recruiting distributors by hosting events such as Herbalife Opportunity Meetings or Success Training Seminars; by advertising Herbalife's products, by purchasing and using promotional materials such as t-shirts, buttons and caps; by utilizing and paying for direct mail and print material such as brochures, flyers, catalogs, business cards, posters and banners and telephone book listings; by purchasing inventory for sale or use as samples; and by training, mentoring and following up (in person or via the phone or internet) with customers and recruits on how to use Herbalife products and/or pursue the Herbalife business opportunity.

Presentation

"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 Generally Accepted Accounting Principles in the U.S. ("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 beginning with the third quarter of 2004.

Our "operating margins" consist of net sales less cost of sales and royalty overrides.

"Selling, General 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.

"11¾% Notes" refers to Herbalife International's 11¾% senior subordinated notes due 2010. "9½% Notes" refers to our 9½% 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.

Summary Financial Results

For the three and six months ended June 30, 2005, net sales increased by 18.7% and 16.7%, respectively, as compared to the same periods in 2004. The combination of continued strong recruitment and retention of distributors in our key markets, various promotions leading up to the 25th Anniversary Extravaganza in Atlanta in April 2005, generally favorable foreign currency exchange rates, the launch of new products and roll out of *ShapeWorks*™ and *NiteWorks*™ to more countries, contributed to the sales increase. Net sales increased in all regions except for Japan. The decrease in Japan sales continued, although at a lower rate of decline.

For the quarter ended June 30, 2005, net income was $22.7 million, or 32 cents per diluted share compared to net income of $12.1 million, or 22 cents per diluted share in the same period of 2004. Excluding the effect of a non-cash tax charge of $5.5 million associated with moving our China subsidiary within the global corporate structure in the second quarter of 2005, second quarter net income increased 133.9 percent to $28.3 million compared to $12.1 million in 2004. The improvement in net income was a result of an 18.7% increase in net sales, the continued favorable impact from appreciation of foreign currencies, lower interest and income tax expense partially offset by higher operating expenses primarily from increased labor, benefits and incentive compensation. Overall, the appreciation of foreign currencies had a $3.8 million favorable impact on net income for the three months ended June 30, 2005.

For the six months ended June 30, 2005, net income was $36.1 million, or 50 cents per diluted share compared to a net income of $11.6 million, or 21 cents per diluted share reported for the same period in 2004. Excluding the effect of recapitalization transaction expenses of $14.2 million and $15.4 million in the first quarters of 2005 and 2004 respectively, and a non-cash tax charge of $5.5 million associated with moving our China subsidiary within the global corporate structure in the second quarter of 2005, the six months net income increased 106.7%. The improvement in net income was a result of a 16.7 % increase in net sales, the continued favorable impact from appreciation of foreign currencies, lower interest and

income tax expense partially offset by higher operating expenses primarily from increased labor, benefits and incentive compensation. Overall, the appreciation of foreign currencies had a $6.2 million favorable impact on net results for the six months ended June 30, 2005.

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.

	Three Months Ended		Six Months Ended	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005
Operations:				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	20.4%	20.1%	20.0%	20.2%
Gross profit	79.6%	79.9%	80.0%	79.8%
Royalty overrides	35.4%	35.6%	35.6%	36.0%
Selling, general & admin expenses	32.4%	30.7%	32.8%	30.1%
Operating income	11.8%	13.6%	11.6%	13.7%
Interest expense	4.4%	1.9%	6.5%	3.9%
Income before income taxes and minority interest	7.4%	11.7%	5.1%	9.8%
Income taxes	3.7%	5.8%	3.3%	5.0%
Net income	3.7%	5.9%	1.8%	4.8%

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Region

	Three Months Ended June 30,										
	2004					2005					
	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
	(dollars in millions)										
The Americas	$186.7	$ (87.9)	$ 98.8	$17.3	$116.1	$274.9	$(131.9)	$143.0	$23.8	$166.8	43.7%
Europe	224.3	(107.1)	117.2	20.2	137.4	231.4	(110.2)	121.2	20.6	141.8	3.2%
Asia/Pacific Rim	80.4	(36.9)	43.5	5.6	49.1	91.2	(41.8)	49.4	6.4	55.8	13.6%
Japan	36.8	(17.8)	19.0	2.6	21.6	34.5	(16.7)	17.8	2.5	20.3	(6.0)%
Total	$528.2	$(249.7)	$278.5	$45.7	$324.2	$632.0	$(300.6)	$331.4	$53.3	$384.7	18.7%

	Six Months Ended June 30,										
	2004					2005					
	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
	(dollars in millions)										
The Americas	$ 367.8	$(174.6)	$193.2	$34.2	$227.4	$ 506.1	$(243.2)	$262.9	$ 44.5	$307.4	35.2%
Europe	447.9	(213.8)	234.1	40.0	274.1	467.9	(223.1)	244.8	41.6	286.4	4.5%

Asia/Pacific Rim	155.9	(71.7)	84.2	11.0	95.2	190.1	(87.8)	102.3	13.5	115.8	21.6%
Japan	88.0	(42.8)	45.2	6.3	51.5	80.9	(39.3)	41.6	5.5	47.1	(8.5)%
Total	$1,059.6	$(502.9)	$556.7	$91.5	$648.2	$1,245.0	$(593.4)	$651.6	$105.1	$756.7	16.7%

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, encourage 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 affect 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 Selling, General & Administrative expenses. Sales are driven by several factors including the number and productivity of distributor leaders who continually build, educate and motivate their respective distribution and sales organizations. We also use product event and non-event promotions to motivate distributors to increase recruiting, retention and retailing activities. These promotions have prizes ranging from cameras to vacations or other qualifying events for distributors that meet certain selling and recruiting goals. The costs of these promotions are included in Selling, General, & Administrative expenses.

The factors described above have driven growth in our business. The following net sales by geographic region discussion further details some of the above factors and describes unique growth factors specific to certain major countries. The Company believes that the correct foundation, coupled with ongoing training and promotional initiatives is required to increase recruiting and retention of distributors and retailing of the product. The correct foundation includes strong country management that works closely with the distributor leadership, a broad product line that appeals to local consumer needs, a favorable regulatory environment, a scalable and stable technology platform and an attractive marketing plan. Initiatives such as Success Training Seminars, World Team Schools, Promotional Events and regional Extravaganzas are integral components of developing a highly motivated and educated distributor sales organization that will work toward increasing the recruitment and retention of distributors.

The Company's strategy will continue to include generating and maintaining growth within existing markets. We generally expect to continue to spend the current level of Selling, General & Administrative expenses (as a percent of net sales) to maintain or stimulate sales growth, while making strategic investments in new initiatives. In addition, new ideas are being generated in our regional markets, either by distributors, country management or corporate management. Examples are the Nutrition Clubs in Mexico and the Total Plan in Brazil, as described in the net sales discussion below. Management's strategy is to review the applicability of expanding successful country initiatives throughout a region and/or globally where appropriate.

The Americas

Net sales in The Americas increased $50.7 million and $80.0 million, or 43.7%, and 35.2%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. In local currency, net sales increased by 37.7% and 31.6%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods of 2004. The fluctuation of foreign currency rates had a positive impact on net sales of $6.9 million and $8.2 million, respectively, for the three and six months ended June 30, 2005. The overall increase was a result of net sales growth in Mexico, Brazil, and the U.S. of $28.0 million, $10.2 million, $8.9 million, and $43.7 million, $18.3 million, $11.7 million, respectively, for the three and six months ended June 30, 2005, compared to the same periods of 2004. Mexico and Brazil continue to benefit from the success of the Nutrition Clubs and the Total Plan, two innovative means by which distributors are retailing our products to new customers, strong country and distributor leadership, and a product line and business opportunity that is attractive to the demographics in those countries. In the U.S. net sales continue to grow, and especially following the 25th Anniversary Extravaganza in Atlanta in April where two new products,*Liftoff*™ and *NouriFusion*™, were launched, net sales grew over 10% in May and June when compared to the same periods last year.

The net sales growth in Mexico is a result of the continued success of recruiting and retention programs such as the Nutrition Clubs, which have lead to an increased number of supervisors, up 62.2% at June 30, 2005 compared to June 30, 2004. The costs to set up a Nutrition Club are generally nominal, and are borne solely by the distributor. We believe our distributors currently operate over 10,000 Nutrition Clubs.

The net sales growth in Brazil is a result of the continued success of recruiting and retention programs such as the Total Plan, which have led to an increased number of supervisors, up 39.1% at June 30, 2005 compared to June 30, 2004. The Total Plan is a low-cost lead generating method where distributors use our personal care line of products and offer consultations to obtain referrals. This concept specifically supports our retailing and recruiting initiatives and has been a catalyst for growth in Brazil.

As a result of the numerous steps taken in 2004 and early 2005 to improve the business in the U.S., including the establishment of a U.S. country management team, various promotions like the 2005 President's Team Challenge, the World Team Bonus and the Atlanta Challenge in connection with the 25th Anniversary Extravaganza in Atlanta, net sales have for the last four months exceeded the corresponding months last year. At the 25th Anniversary Extravaganza in Atlanta two new products were introduced, *Liftoff*™ and *NouriFusion*™, both designed to assist recruiting of new distributors. The number of supervisors increased by 1.9% at June 30, 2005 compared to June 30, 2004 after approximately two years of year-over-year declines. *NouriFusion*™ was also launched into 22 markets outside the U.S. and has been well received by our distributors.

We expect 2005 net sales in the Americas region to continue its growth primarily as a result of the expected continuation of the strong performance in Mexico and Brazil and most recently in the U.S.

Europe

Net sales in Europe increased $4.4 million and $12.3 million, or 3.2%, and 4.5%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. In local currency, net sales decreased by 3.0% and 3.9%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. The fluctuation of foreign currency rates had a positive impact on net sales of $8.5 million and $22.9 million, respectively, for the three and six months ended June 30, 2005. Throughout 2004, Europe experienced significant sales growth when compared to the prior year corresponding quarters, partly due to a very successful Billion Dollar promotion in the first and second quarter of 2004. Such sales growth was not expected to be sustainable in 2005. While some markets did sustain growth, two key countries, Germany and the Netherlands, experienced sales declines of 22.6% and

11.7%, and 22.0% and 12.4%, respectively, for the three and six months ended June 30, 2005 when compared to the same periods in 2004.

We have recently appointed a new country manager in Germany whose initial focus is to re-engage the local distributor leadership and to rebuild the confidence among distributors to improve recruiting and retention. Similar to Germany, steps have been taken to re-engage the local distributor leadership in the Netherlands although we believe the decline in sales is partly contributed by the general economic uncertainty effecting consumer confidence. Several new initiatives are planned in the second half of 2005, including a new recruiting program, and we expect this will contribute to improved performance.

Net sales in Spain were up $3.1 million and $6.0 million, or 38.1% and 39.4%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. The increase in sales is primarily due to a focused distributor leadership, an increasing emphasis locally on health and nutrition and the continuing positive impact of certain promotions in 2005. Net sales in France were up $2.9 million and $4.0 million, or 53.7% and 32.0%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004, partly due to adoption of a new nutritional distributor training program and a special vacation promotion. In South Africa, net sales increased 53.2%, and 52.5%, respectively, for the three and six months ended June 30, 2005 when compared to the same periods in 2004, primarily due to a unified distributor leadership, the adoption of the Total Plan and the opening of a new Cape Town collection center during the third quarter of 2004.

We believe that 2005 sales will be flat to slightly positive year over year partly due to sales increases we expect to generate from the ongoing World Team Cup promotion and new product introductions.

Asia/Pacific Rim

Net sales in Asia/Pacific Rim increased $6.7 million and $20.6 million, or 13.6%, and 21.6%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. In local currency, net sales increased by 6.9% and 15.1%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. The fluctuation of foreign currency rates had a positive impact on net sales of $3.3 million and $6.2 million, respectively, for the three and six months ended June 30, 2005. The overall increase was attributable mainly to an increase in Taiwan and South Korea.

Net sales in Taiwan increased $2.1 million and $10.7 million, or 11.7% and 32.0%, for the three and six months ended June 30, 2005, as compared to the same periods in 2004, due primarily to effective local training and recognition initiatives, the launch of *Niteworks*™, an engaged leadership, and effective use of global promotions. The second quarter growth slowed primarily due to sell through of accumulated distributor inventory following a period of high sales to distributors qualifying for the Atlanta Promotion, which ended in the first quarter of 2005. We believe that during the third quarter, when Taiwan will be celebrating its 10th anniversary, it will again post a higher growth rate. Net sales in South Korea increased $3.0 million and $4.3 million, or 33.6% and 24.8% for the three and six months ended June 30, 2005, as compared to the same periods in 2004. We believe new product launches, such as *Niteworks*™, coupled with strong distributor leadership are beginning to establish a positive year-over-year positive sales trends.

Overall, we believe that new product launches, continued local distributor training and recognition, and effective promotions will contribute to ongoing sales increases in the Asia/Pacific Rim region in 2005.

Japan

Net sales in Japan decreased $1.3 million and $4.4 million, or 6.0%, and 8.5%, respectively, for the three and six months ended June 30, 2005, as compared to the same periods in 2004. In local currency, net sales decreased by 8.1% and 10.6%, respectively, for the three and six months ended June 30, 2005, as

compared to the same periods of 2004. The fluctuation of foreign currency rates had a positive impact on net sales of $0.4 million and $1.1 million, respectively, for the three and six months ended June 30, 2005. The net sales decline is a continuation of a five-year downward trend in Japan, albeit at a slower rate for each of the last three quarters. We believe that the numerous initiatives to stimulate sales in Japan are beginning to make a positive impact, including local management taking initiatives to re-engage and motivate the local distributor leadership to improve recruiting and retention of distributors, expanding our product line to address local country demographic needs and the creation of increased brand awareness through sporting event sponsorships. In the second quarter of 2005 we opened a new sales office in a central location of Tokyo, a significant improvement over the existing location that we believe should give us greater visibility. We believe the above initiatives in combination with implementing new brand and volume incentive promotional programs, should improve sales trends in the second half of 2005.

Sales by Product Category

	Three Months Ended June 30,										
	2004					2005					
	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
	(dollars in millions)										
Weight Management	$235.2	$(115.5)	$119.7	$20.3	$140.0	$278.6	$(137.0)	$141.6	$23.5	$165.1	17.8%
Inner Nutrition	231.8	(113.8)	118.0	20.0	138.0	266.1	(130.9)	135.2	22.5	157.7	14.3%
Outer Nutrition®	47.0	(23.1)	23.9	4.1	28.0	73.3	(36.0)	37.3	6.1	43.4	55.0%
Literature, Promotional and Other	14.2	2.7	16.9	1.3	18.2	13.9	3.4	17.3	1.2	18.5	2.2%
Total	$528.2	$(249.7)	$278.5	$45.7	$324.2	$631.9	$(300.5)	$331.4	$53.3	$384.7	18.7%

	Six Months Ended June 30,										
	2004					2005					
	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
	(dollars in millions)										
Weight Management	$ 474.2	$(233.1)	$241.1	$41.0	$282.1	$ 549.2	$(270.5)	$278.7	$ 46.4	$325.1	15.3%
Inner Nutrition	466.3	(229.3)	237.0	40.3	277.3	522.8	(257.5)	265.3	44.2	309.5	11.6%
Outer Nutrition®	96.9	(47.6)	49.3	8.4	57.7	145.3	(71.5)	73.8	12.2	86.0	49.3%
Literature, Promotional and Other	22.2	7.1	29.3	1.8	31.1	27.7	6.2	33.8	2.3	36.1	15.3%
Total	$1,059.6	$(502.9)	$556.7	$91.5	$648.2	$1,245.0	$(593.3)	$651.6	$105.1	$756.7	16.7%

Our increased emphasis on the science of weight management and nutrition during the past two years has resulted in product introductions such as *Niteworks*™ and *Garden 7*™ and the introduction of *ShapeWorks*™, a personalized meal replacement program. Due to the launch of *ShapeWorks*™ in March 2004 in the United States and subsequent roll-out to other countries, the introduction of new personal care products like *NouriFusion*™, introduced in 23 countries in April 2005, and the increased use of the Total Plan by distributors in Brazil and worldwide, which uses Outer Nutrition products as its foundation, net sales of weight management products and Outer Nutrition® products increased at a higher rate than net sales of inner nutrition products. Sales of Outer Nutrition products increased 55.0% and 49.3%, respectively, for the three and six months ended June 30, 2005, which are greater rates than those for any other categories. Literature, Promotional and Other, which is net of product buy-backs and returns in all product category, increased primarily due to an increase in literature sales from selling starter kits to new distributors and from 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 $307.3 million and $603.6 million for the three and six months ended June 30, 2005, as compared to $257.9 million and $518.3 million in the same periods of 2004.

As a percentage of net sales, gross profit for the three months ended June 30, 2005 increased from 79.6% to 79.9%, as compared to the same period of 2004. The increase in gross profit as a percentage of net sales for the three months ended June 30, 2005 reflected a lower margin from sale of certain promotion items primarily sold during the second quarter of 2004 as well as country and product sales mix.

As a percentage of net sales, gross profit for the six months ended June 30, 2005 remained flat at approximately 80%, as compared to the same period of 2004. 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 35.6% and 36.0% for the three and six months ended June 30, 2005, as compared to 35.3% and 35.5% in the same periods of 2004. 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.

Selling, General, & Administrative Expenses

Selling, General, & Administrative expenses as a percentage of net sales were 30.7% and 30.1% for the three and six months ended June 30, 2005, as compared to 32.4% and 32.8% in the same periods of 2004. For the three and six months ended June 30, 2005, Selling, General & Administrative expenses increased $12.6 million and $14.8 million to $117.8 million $227.8 million, respectively. The unfavorable impact of foreign currency fluctuations was $2.7 million and $5.1 million for the three and six months ended June 30, 2005, respectively.

The increase in Selling, General, & Administrative expenses for the three months ended June 30, 2005 included $9.3 million in higher salaries and benefits, due to normal merit increases, a 6% increase in staffing outside the U.S. and higher incentive compensation; $5.9 million in additional promotional expenses related primarily to our 25th Anniversary Extravaganza in Atlanta and the 25th Anniversary Vacation Cruise; $2.0 million relating to legal and litigation expenses; $1.6 million in additional professional fees primarily associated with our technology infrastructure;. The increases were partially offset by $1.4 million lower amortization expense of intangibles; $1.7 million lower monitoring fees and other expenses due to the termination of the agreement with Whitney and Golden Gate and a $3.2 million foreign exchange gain in 2005 versus a $0.9 million loss in 2004.

The increase in Selling, General, & Administrative expenses for the six months ended June 30, 2005 included $14.0 million in higher salaries and benefits, due to normal merit increases; a 6% increase in staffing outside the U.S. and higher incentive compensation; $3.4 million in additional professional fees primarily associated with our technology infrastructure; $2.0 million relating to legal and litigation expenses and $2.6 million in additional promotional expenses related primarily to our 25th Anniversary Extravaganza in Atlanta. The increases were partially offset by $2.7 million lower amortization expense of intangibles; $3.5 million lower monitoring fees and other expenses due to the termination of the agreement with Whitney and Golden Gate and a $1.7 million foreign exchange gain in 2005 versus a $2.3 million loss in 2004.

We expect 2005 Selling, General & Administrative expenses to increase approximately 7% over 2004 levels, reflecting general salary merit increases, moderate staffing additions, further expansion in China and increased sales events activities, although as a percentage of net sales, these expenses should be slightly down from 2004 levels.

Net Interest Expense

Net interest expense was $7.4 million and $29.6 million for the three and six months ended June 30, 2005, respectively, as compared to $14.3 million and $41.6 million in 2004. This includes $14.2 million and $15.4 million of recapitalization expenses for the three months ended March 31, 2005 and 2004, respectively. The recapitalization expenses were due to the redemption of 40% or $110 million principal amount of the 9½% Notes completed in February 2005 and the redemption of the 15½% senior notes completed in March 2004. During the second quarter of 2005 we prepaid $35 million of our senior credit facility resulting in approximately $0.7 million additional interest expense from write-off of deferred financing fees.

Income Taxes

Income taxes were $22.2 million and $37.8 million for the three and six months ended June 30, 2005, as compared to $11.8 million and 21.7 million in 2004. As a percentage of pre-tax income, the effective income tax rate was 49.3% and 51.2% for the three and six months ended June 30, 2005, respectively, as compared to 49.5% and 65.1% in 2004. The decrease in the effective tax rate for the three and six months ended June 30, 2005 as compared to 2004 was caused primarily by the impact of less non-deductible interest including the aforementioned non-deductible recapitalization charges in each period. Offsetting these benefits was a $5.5 million non-cash tax charge associated with moving our China subsidiary within our global corporate structure in the second quarter of 2005. Excluding the impact of the recapitalization expenses of $14.2 million and $15.4 million during the first quarter 2005 and 2004, respectively, and the $5.5 million non-cash tax charge associated with China, the effective tax rate would have been approximately 36.7% and 44.5% for the six months ended June 30, 2005 and 2004, respectively.

Foreign Currency Fluctuations

Currency fluctuations had a favorable impact of $3.8 million and $6.2 million on net results for the three and six months ended June 30, 2005, when compared to what current year net results would have been using last year's foreign exchange rates. For the three months ended June 30, 2005, the regional effects were a favorable $1.1 million in Europe, a favorable $1.0 million in Asia/Pacific Rim, a favorable $1.6 million in The Americas, and a favorable $0.1 million in Japan. For the six months ended June 30, 2005, the regional effects were a favorable $2.3 million in Europe, a favorable $1.8 million in Asia/Pacific Rim, a favorable $1.8 million in The Americas, and a favorable $0.3 million in Japan.

Net Results

For the quarter ended June 30, 2005, net income was $22.7 million, or 32 cents per diluted share compared to net income of $12.1 million, or 22 cents per diluted share in the same period of 2004. Excluding the effect of a non-cash tax charge of $5.5 million associated with moving our China subsidiary within the global corporate structure in the second quarter of 2005, second quarter net income increased 133.9 percent to $28.3 million compared to $12.1 million in 2004. The improvement in net income was a result of an 18.7% increase in net sales, the continued favorable impact from appreciation of foreign currencies, lower interest and income tax expense partially offset by higher operating expenses primarily from increased labor, benefits and incentive compensation. Overall, the appreciation of foreign currencies had a $3.8 million favorable impact on net income for the three months ended June 30, 2005.

For the six months ended June 30, 2005, net income was $36.1 million, or 50 cents per diluted share compared to a net income of $11.6 million, or 21 cents per diluted share reported for the same period in 2004. Excluding the effect of recapitalization transaction expenses of $14.2 million and $15.4 million in the first quarters of 2005 and 2004 respectively, and a non-cash tax charge of $5.5 million associated with moving our China subsidiary within the global corporate structure in the second quarter of 2005, the six months net income increased 106.7%. The improvement in net income was a result of a 16.7 % increase in net sales, the continued favorable impact from appreciation of foreign currencies, lower interest and income tax expense partially offset by higher operating expenses primarily from increased labor, benefits and incentive compensation. Overall, the appreciation of foreign currencies had a $6.2 million favorable impact on net results for the six months ended June 30, 2005.

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 our international affiliated companies.

For the six months ended June 30, 2005, we generated $70.2 million from operating cash flows, as compared to $65.6 million in 2004. The improved operating cash flow was primarily due to the 16.7% increase in net sales, partially offset by higher receivables resulting from higher sales volume at the end of the 2nd quarter of 2005 and higher operating expenses primarily from increased labor, benefit and incentive compensation.

Capital expenditures, including capital leases, for the six months ended June 30, 2005 were $12.8 million, as compared to $11.8 million in 2004. The majority of these expenditures represented investments in management information systems, internet tools for distributors, the relocation of our facility in Japan and the expansion of our facilities in China. We expect to incur capital expenditures of up to $40.0 million in 2005 primarily related to investments in management information systems, internet tools for distributors, office facilities and China expansion.

In March 2004, we and our lenders amended our existing senior credit facility, a facility that was replaced in December of 2004. Under the terms of this amendment, we made a prepayment of $40.0 million to reduce outstanding amounts under our 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 our 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, we 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 $183.1 million for 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 on the preferred shares of $38.5 million, 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.

In December 2004, Herbalife completed an initial public offering in connection with which several recapitalization transactions were completed, including the tender for all of the outstanding 11 3/4% Notes, of which 99.9% accepted the tender offer, and a replacement of the existing term loan and revolving credit facility with a new $225.0 million senior credit facility. In addition, we redeemed $110 million principal value excluding discounts or 40% of our outstanding 9 1/2% Notes in February of 2005 for the cash value of $124.1 million including a premium of $10.5 million and accrued interest of $3.6 million. Interest expense for the first six months of 2005 includes the redemption amount of $14.2 million which represents $10.5 million of premium and $3.7 million of write off of deferred financing cost and discount.

The new $225.0 million senior credit facility consists of a senior secured revolving credit facility with total availability of up to $25.0 million and a senior secured term loan facility in an aggregate principal amount of $200.0 million. The revolver is available until December 21, 2009. The revolver bears interest at LIBOR plus 2%. In April 2005 the senior credit facility was amended whereby the interest rate was reduced from 2 1/4% to 1 3/4% .. In addition, the amount payable in connection with a partial or full refinancing of the loan within the first year of the amendment shall equal 101% of the principal amount. With regard to the term loan we are obligated to pay $0.5 million every quarter until September 30, 2010 and the remaining principal amount on December 21, 2010. During the second quarter of 2005 we prepaid $35 million of our senior credit facility resulting in approximately $0.7 million additional interest expense from write-off of deferred financing fees. As of June 30, 2005, no amounts had been borrowed under the revolving credit facility.

The new senior credit facility and the 9 1/2% 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 our assets, or enter into various transactions with affiliates. Additionally, the new senior credit facility includes covenants relating to the maintenance of certain leverage, fixed charge coverage, and interest coverage ratios, and requirements to make early payments to the extent of excess cash flow, as defined therein.

The following summarizes our contractual obligations including interest at June 30, 2005 and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

		Payments due by period					
	Total	2005	2006	2007	2008	2009	2010 & thereafter
				(in millions)			
Term Debt	$ 204.7	$ 4.9	$ 9.6	$ 9.5	$ 9.4	$ 9.3	$ 162.0
11 3/4% Notes	0.2	—	—	—	—	—	0.2
9 1/2% Notes	259.0	7.8	15.7	15.7	15.7	15.7	188.4
Capital Lease	6.4	1.7	3.2	1.5	—	—	—
Other debt	4.8	2.8	1.2	0.8	—	—	—
Operating leases	21.3	7.4	7.5	2.9	1.3	0.9	1.3
Total	$ 496.4	$ 24.6	$ 37.2	$ 30.4	$ 26.4	$ 25.9	$ 351.9

Whitney and Golden Gate (and/or their affiliates) were 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 could, 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 completed our analysis with regard to this payment and based on this analysis, we made $1.4 million and $4.9 million dividend payments to our shareholders in the fourth quarter of 2004, related to certain income that may be taxable to them for the years ended December 31, 2003 and December 31, 2004, respectively.

In December 2004, we entered into a termination agreement with the parties to the Share Purchase Agreement. Pursuant to the termination agreement, the Share Purchase Agreement and all obligations and liabilities of the parties under the Share Purchase Agreement were terminated. As consideration for the termination of the Share Purchase Agreement, we have entered into a Tax Indemnification Agreement with Whitney and Golden Gate (and/or their affiliates) pursuant to which we have agreed to indemnify each of those parties for the Federal income tax liability and any related losses they incur in respect of income of Herbalife that is (or would be) includible in the gross income of that party for any taxable period under Section 951(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Under the terms of the Tax Indemnification Agreement, we assume, for this purpose, that each indemnified party is a "United States shareholder" as defined in Section 951(b) of the Code. We do not, however, have any obligation to provide an indemnity with respect to any taxes or related losses incurred that have been reimbursed under the Share Purchase Agreement. Our new credit facility permits us to pay these tax indemnity payments, but restricts the aggregate amount that we can pay in any given year to no more than $15 million. We currently anticipate that any amounts that we are required to pay under this agreement in the future will be immaterial to our financial condition and operating results.

In connection with the initial public offering we paid a special cash dividend to stockholders of record prior to the offering in the amount of $139.7 million.

The declaration of future dividends is subject to the discretion of our board of directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by our credit agreement, cash requirements, future prospects and other factors deemed relevant by our board of directors. Our credit agreement permits payments of dividends as long as no default exists and the amount does not exceed $20.0 million per fiscal year provided that the amount of dividends may be increased by 25% of the consolidated net income for the prior fiscal year if the Leverage Ratio (as defined in our credit agreement) for the four fiscal quarters of such fiscal year is less than or equal to 2.00:1.00.

As of June 30, 2005, we had working capital of $9.0 million compared to negative $1.6 million at December 31, 2004. Cash and cash equivalents were $100.7 million at June 30, 2005, compared to $201.6 million at December 31, 2004.

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 $9\frac{1}{2}$% Notes and the new 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.

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 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 vicariously 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.

Herbalife International and certain of its independent distributors have been named as defendants in a purported class action lawsuit filed February 17, 2005 in the Superior Court of California, County of San Francisco, and served on Herbalife International on March 14, 2005 (*Minton v. Herbalife International, et al*). A motion filed by Herbalife International on April 8, 2005, to transfer the case to the Los Angeles County Superior Court has been granted. The plaintiff is challenging the marketing practices of certain Herbalife International independent distributors and Herbalife International under various state laws prohibiting "endless chain schemes," insufficient disclosure in assisted marketing plans, unfair and deceptive business practices, and fraud and deceit. The plaintiff alleges that the Freedom Group system operated by certain independent distributors of Herbalife International products places too much emphasis on recruiting and encourages excessively large purchases of product and promotional materials by distributors. The plaintiff also alleges that Freedom Group pressured distributors to disseminate misleading promotional materials. The plaintiff seeks to hold Herbalife International vicariously liable for the actions of its independent distributors and is seeking damages and injunctive relief. The Company believes that we have meritorious defenses to the suit.

In February 2005 Herbalife voluntarily elected to temporarily withdraw its Sesame & Herb tablet product from the Israeli market. This product, which has been on the market since 1989, is sold only in Israel. Herbalife's voluntary decision to temporarily withdraw this product accompanied the initiation of a

review by the Israeli Ministry of Health (the "Israel MOH") of a small number of anecdotal case reports of individuals having liver dysfunction who had also consumed Herbalife products. Herbalife scientists and medical doctors are closely cooperating with the Ministry of Health to facilitate this ongoing review. In May 2005, the Israel MOH issued a press release stating that although their investigation was continuing, no causal link has been shown between the consumption of Herbalife products and liver function abnormalities. In addition, the Israel MOH requested that individuals consuming or intending to consume Herbalife products obtain liver function tests before and one month after beginning their use, and that persons with liver function disorders refrain from consuming dietary supplements. Independent analysis of Herbalife's Israeli products has confirmed that Herbalife products do not contain any substances indicated by the Israel MOH as being of concern in relation to this small number of reported cases of liver dysfunction. Herbalife believes that Herbalife products are not the cause of these few reported anecdotal cases of liver dysfunction.

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 a self insured retention 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. We and our tax advisors believe that there are substantial defenses to their allegations that additional taxes are owed, 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 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 record additional expenses.

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.

We are 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.” Our products are manufactured by third party providers and then sold to independent distributors who sell Herbalife products to retail consumers or other distributors.

We sell products in 60 countries throughout the world and are organized and managed by geographic region. In the first quarter of 2003, we elected to aggregate our operating segments into one reporting segment, as management believes that our 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 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 retail 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 as a percentage of retail sales were approximately 1.0%, 1.1% and 1.3%, 1.0% for the three and six months ended June 30, 2004 and 2005, respectively. No material changes in estimates have been recognized for the three months ended June 30, 2004 and 2005.

We record reserves against 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 reserves could be required. Likewise, favorable future demand and market conditions could positively impact future operating results if previously reserved for inventory is sold. We reserved for obsolete and slow moving inventory totaling $6.2 million and $7.7 million as of December 31, 2004 and June 30, 2005, respectively.

In accordance with Statement of Financial Accounting Standards (“SFAS”) 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 SFAS 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 June 30, 2005, we had goodwill of approximately $160.6 million, and marketing franchise of $310.0 million. Goodwill was reduced in the second quarter by approximately $7 million to reflect a reduction in the valuation allowance established at the time of the Acquisition against pre-Acquisition tax benefits.

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, 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 2004, the Financial Accounting Standards Board (“FASB”) enacted Statement of Financial Accounting Standards 123—revised 2004 (“SFAS 123R”), “Share-Based Payment” which replaces Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation” and supersedes Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS 123R requires the measurement of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method and the recording of such expense in our consolidated statements of operations. The accounting provisions of SFAS 123R are effective for reporting periods beginning after December 15, 2005.

We are required to adopt SFAS 123R in the first quarter of fiscal 2006. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. See Note 8 in our Notes to Consolidated Financial Statements for the pro forma net income and net income per share amounts, for the three and six months ended June 30, 2004 and 2005, respectively, as if we had used a fair-value-based method similar to the methods required under SFAS 123R to measure compensation expense for employee stock incentive awards. Although we have not yet determined whether the adoption of SFAS 123R will result in amounts that are similar to the current pro forma disclosures under SFAS 123, we are evaluating the requirements under SFAS 123R and on a preliminary basis we expect the adoption will not have a material impact on our consolidated statements of operations, relative to currently existing options.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FAS 109-2"), "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creations Act of 2004" ("AJCA"). The AJCA introduces a limited time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. Although FAS 109-2 is effective immediately, we do not expect to be able to complete our evaluation of the repatriation provision until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision. In January 2005, the Treasury Department began to issue the first of a series of clarifying guidance documents related to this provision. We are currently evaluating this provision and expect to complete our evaluation of the effects of the repatriation provision within the third quarter of 2005.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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. Some of these foreign exchange contracts are designated as cash flow hedges 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.

The following table provides information about the details of our option contracts:

Foreign Currency	Coverage (in millions)	Average Strike Price	Fair value (in millions)	Maturity date
Purchase Puts (Company may sell yen/buy USD)				
Japanese yen	$ 4.5	$ 100.52 - $101.79	$ 0.4	Jul-Sep 2005
Japanese yen	$ 4.5	$ 99.70 - $100.900	$ 0.4	Oct-Dec 2005
	$ 9.0		$ 0.8	
Purchase Puts (Company may sell euro/buy USD)				
Euro	$ 10.2	$ 1.31 - $1.36	$ 0.9	Jul-Sep 2005
Euro	$ 10.2	$ 1.32 - $1.36	$ 0.9	Oct-Dec 2005
	$ 20.4		$ 1.8	

Foreign exchange forward contracts are used to protect against changes in the functional currency equivalent value of intercompany or third party nonfunctional currency payables or receivables. 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:

Foreign currency	Contract date	Forward position (in millions)	Maturity date	Contract rate	Fair value (in millions)
At June 30, 2005					
Buy DKK sell SEK	6/2/2005	$ 1.0	7/1/2005	1.23	$ 1.0
Buy SEK sell USD	6/28/2005	$ 2.6	7/29/2005	7.78	$ 2.6
Buy EUR sell USD	6/28/2005	$ 3.1	7/29/2005	1.21	$ 3.1
Buy GBP sell USD	6/28/2005	$ 3.3	7/29/2005	1.8	$ 3.2
Buy YEN sell USD	6/28/2005	$ 17.0	7/29/2005	109.59	$ 16.8
Buy CAD sell Euro	6/28/2005	$ 1.5	7/29/2005	1.49	$ 1.5
Buy NZD sell Euro	6/28/2005	$ 0.4	7/29/2005	1.73	$ 0.4
Buy AUD sell Euro	6/28/2005	$ 0.8	7/29/2005	1.59	$ 0.8
Buy TWD sell Euro	6/28/2005	$ 3.5	7/29/2005	38.21	$ 3.5
Buy USD sell Euro	6/28/2005	$ 0.7	7/29/2005	1.21	$ 0.7
Buy EUR sell USD	6/28/2005	$ 14.9	7/29/2005	1.21	$ 14.9
Buy HUF sell Euro	6/28/2005	$ 0.2	7/29/2005	248.68	$ 0.2
Buy EUR sell USD	6/30/2005	$ 17.8	7/29/2005	1.21	$ 17.9
Buy YEN sell BRL	6/8/2005	$ 2.0	8/15/2005	0.02	$ 1.8
Buy USD sell BRL	6/2/2005	$ 2.7	8/31/2005	2.51	$ 2.5

All our foreign subsidiaries, excluding those operating in hyper-inflationary environments, designate their local currencies as their functional currency. At June 30, 2005, the total amount of our foreign subsidiary cash was $76.2 million, of which $14.7 million was invested in U.S. dollars.

Interest Rate Risk

We use interest rate swaps to hedge the interest rate exposure on the variable interest rate associated with our senior credit facility. They provide protection in the event the LIBOR rates fluctuate. Interest rate swaps are designated as cash flow hedges. The table below describes the interest rate swap that was outstanding:

Interest rate	Notional amount (in millions)	Average rate	Fair value (in millions)		Maturity date
At June 30, 2005					
Interest rate swap	$ 125.0	4.2%	Current	$ 0.01	1/28/2008
			Non-Current	$ (0.29)	

The table below presents principal cash flows and interest rates by maturity dates and the fair values of our borrowings as of June 30, 2005. 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 June 30, 2005. Interest rate risk related to our capital leases is not significant.

	Expected Maturity Date							
	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Long-term Debt								
Fixed Rate (in millions)	$ —					$ 0.1	$ 0.1	$ 0.1
Average Interest Rate							11.75%	
Variable Rate (in millions)	$ 1.0	$ 2.0	$ 2.0	$ 2.0	$ 2.0	$ 155.0	$ 164.0	$ 164.0
Average Interest Rate							4.66%	
Fixed Rate (in millions)	—	—	—	—	—	$ 161.1	$ 161.1	$ 177.0
Average Interest Rate							9.5%	

Under the $200.0 million term loan, the Company is obligated to enter into (for a minimum of three years after December 21, 2004) an interest rate hedge for up to 25% of the aggregate principal amount of the term loan. On February 24, 2005 the Company entered into an interest rate swap, as discussed above, to fulfill this obligation.

Item 4. Controls And Procedures

Evaluation of Disclosure Controls and Procedures. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the quarter covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including our consolidated subsidiaries) required to be included in our periodic filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. 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 document. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:

- *our relationship 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, including potential governmental or regulatory actions concerning the safety or efficacy of 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 quarterly report on Form 10-Q,, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in our Financial Statements and the related notes. We do not intend, and undertake no obligation, to update any forward-looking statement.

Before deciding whether to invest in our common shares, you should carefully consider and all information contained in this quarterly report on Form 10-Q. 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.

Forward-looking statements in this quarterly report on Form 10-Q speak only as of the date hereof, and forward looking statements in documents attached are incorporated by reference speak only as of the date of those documents. The Company does not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See discussion under Note 5 to the Notes to the Consolidated Financial Statements included in Item 1 of this report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

(a) None.

(b) None.

Item 6. EXHIBITS

Exhibit Index:

Exhibit Number	Description	Reference
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.	(a)
3.1	Form of Amended and Restated Memorandum and Articles of Association of Herbalife Ltd.	(d)
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 11¾% Senior Subordinated Notes due 2010	(a)
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 9½% Notes due 2011	(a)
4.3	Form of Share Certificate	(d)
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	(a)

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	(a)
9.3	Voting Agreement, dated as of December 31, 2004 by and among Whitney V, L.P., Whitney Strategic Partners V, L.P., Whitney Private Debt Fund, L.P. and Green River Offshore Fund, Ltd., on the one hand, and 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 on the other hand	(f)
10.1	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International Inc.	(a)
10.2	Office lease agreement between Herbalife International of America Inc. and State Teacher's Retirement System, dated July 11, 1995	(a)
10.3	Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.4	Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.5	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996	(a)
10.6	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended	(a)
10.7	Trust Agreement for Herbalife 2001 Executive Retention Plan, effective March 15, 2001	(a)
10.8	Herbalife 2001 Executive Retention Plan, effective March 15, 2001	(a)
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	(a)
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	(a)
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	(a)
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	(a)
10.13	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor	(a)
10.14	Monitoring Fee Agreement dated as of July 31, 2002, between WH Holdings (Cayman Islands) Ltd., Herbalife International, Inc. and Whitney & Co., LLC	(a)

10.15	Monitoring Fee Agreement dated as of July 31, 2002, between WH Holdings (Cayman Islands) Ltd., Herbalife International, Inc. and GGC Administration, LLC	(a)
10.16	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.	(a)
10.17	Independent Director's Stock Option Plan of WH Holdings (Cayman Islands) Ltd.	(a)
10.18	Employment Agreement, dated as of March 10, 2003 between Brian Kane and Herbalife International, Inc. and Herbalife International of America, Inc.	(a)
10.19	Employment Agreement dated as of March 10, 2003 between Carol Hannah and Herbalife International, Inc. and Herbalife International of America, Inc.	(a)
10.20	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Brian Kane	(a)
10.21	Non-Statutory Stock Option Agreement, dated as of March 10, 2003 between WH Holdings (Cayman Islands) Ltd. and Carol Hannah	(a)
10.22	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003	(a)
10.23	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	(a)
10.24	Employment Agreement dated as of April 3, 2003 between Michael O. Johnson and Herbalife International, Inc. and Herbalife International of America, Inc.	(a)
10.25	Non-Statutory Stock Option Agreement, dated as of April 3, 2003 between WH Holdings (Cayman Islands) Ltd. and Michael O. Johnson	(a)
10.26	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	(a)
10.27	Employment Agreement dated as of July 14, 2003 between Matt Wisk and Herbalife International of America, Inc.	(a)

10.28	Employment Agreement dated as of July 31, 2003 between Gregory L. Probert and Herbalife International of America, Inc.	(a)
10.29	Employment Agreement dated October 6, 2003 between Brett R. Chapman and Herbalife International of America, Inc.	(a)
10.30	Form of Non-Statutory Stock Option Agreement (Non-Executive Agreement)	(a)
10.31	Form of Non-Statutory Stock Option Agreement (Executive Agreement)	(a)
10.32	Registration Rights Agreement, dated as of March 8, 2004, by and among WH yHoldings (Cayman Islands) Ltd., WH Capital Corporation and UBS Securities, LLC	(a)
10.33	Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Gregory Probert	(a)
10.34	Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Brett R. Chapman	(a)

10.35	Stock Subscription Agreement of WH Capital Corporation, dated as of February 9, 2004, between WH Capital Corporation and WH Holdings (Cayman Islands) Ltd.	(a)
10.36	First Amendment to Amended and Restated WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, dated November 5, 2003	(a)
10.37	Separation Agreement and General Release dated May 1, 2004, among Herbalife International, Inc., Herbalife International of America, Inc. and Carol Hannah	(a)
10.38	Consulting Agreement dated May 1, 2004 among Herbalife International of America, Inc. and Carol Hannah	(a)
10.39	Employment Agreement dated June 1, 2004 among Herbalife International of America, Inc. and Richard Goudis	(a)
10.40	Purchase Agreement, dated March 3, 2004, by and among WH Holdings (Cayman Islands) Ltd., WH Capital Corporation and UBS Securities LLC	(a)
10.41	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.	(b)
10.42	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.	(b)
10.43	Form of Indemnification Agreement between Herbalife Ltd. and the directors and certain officers of Herbalife Ltd.	(c)
10.44	Herbalife Ltd. 2004 Stock Incentive Plan, effective December 1, 2004	(c)
10.45	Termination Agreement, dated as of December 1, 2004, between Herbalife Ltd., Herbalife International, Inc. and Whitney & Co., LLC.	(d)
10.46	Termination Agreement, dated as of December 1, 2004, between Herbalife Ltd., Herbalife International Inc. and GGC Administration, L.L.C.	(d)
10.47	Termination Agreement, dated as of December 13, 2004, by and among Herbalife Ltd., 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, CCG AV, LLC-Series E and CCG CI, LLC.	(d)
10.48	Indemnification Agreement, dated as of December 13, 2004, by and among Herbalife Ltd., Herbalife International, Inc., 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, CCG AV, LLC-Series E, CCG CI, LLC and GGC Administration, LLC.	(d)
10.49	Amendment No. 1 to Herbalife Ltd. 2004 Stock Incentive Plan	(e)
10.50	Form of Stock Bonus Award Agreement	(e)

10.51	Credit Agreement, dated as of December 21, 2004, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R. L., HLF Luxembourg Holdings, S.á.R. L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R. L. and the Subsidiary Guarantors party hereto, and certain lenders and agents named therein.	(g)
10.52	Security Agreement, dated as of December 21, 2004, by and among Herbalife International, Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R. L., HLF Luxembourg Holdings, S.á.R. L., WH Capital Corporation, WH Luxembourg Intermediate Holdings S.á.R.L., and the Subsidiary Guarantors party thereto in favor of Morgan Stanley & Co. Incorporated, as Collateral Agent.	(g)

10.53	First Amendment to Credit Agreement, dated as of April 12, 2005, by and among Herbalife International Inc., Herbalife Ltd., WH Intermediate Holdings Ltd., HBL Ltd., WH Luxembourg Holdings S.á.R. L., HLF Luxembourg Holdings, S.á.R. L. , WH Capital Corporation. WH Luxembourg Intermediate Holdings S.á.R. L. and the Subsidiary Guarantors party hereto, and certain lenders and agents named therein.	(g)
10.54	Employment Agreement Effective as of January 1, 2005 between Herbalife Ltd. and Henry Burdick	(h)
10.55	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Stock Option Agreement	(i)
10.56	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Non-Employee Director Stock Option Agreement	(i)
10.57	Amendment to employment agreement between Michael O. Johnson and Herbalife International, Inc. and Herbalife International of America, Inc., dated May 15, 2005.	*
31.1	Certification of Chief Executive Officer	*
31.2	Certification of Chief Financial Officer	*
32.1	Certificate Pursuant to Section 906 of the Sarbanes-Oxley Act	*
99.1	Disposition Agreement dated as of December 13, 2004 is by and among Whitney V, L.P., a Delaware limited partnership, Whitney Strategic Partners V, L.P., a Delaware limited partnership, Whitney Private Debt Fund, L.P., a Delaware limited partnership and Green River Offshore Fund, Ltd., a Cayman Islands company on the one hand, 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 limited partnership, CCG AV, LLC-Series C, a Delaware limited liability company, CCG AV, LLC-Series E, a Delaware limited liability company and CCG CI, LLC a Delaware limited liability company on the other hand.	(d)
99.2	Contract for Services of a Consultant between Herbalife International Luxembourg S.a.R.L. and Brian Kane dated as of October 18, 2004	(f)
99.3	Compromise Agreement between Herbalife International Luxembourg S.a.R.L. and Brian Kane dated as of October 18, 2004	(f)

* Filed herewith.

(a) Previously filed on October 1, 2004 as an Exhibit of like number to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(b) Previously filed on November 9, 2004 as an Exhibit of like number to Amendment No. 2 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(c) Previously filed on December 2, 2004 as an Exhibit of like number to Amendment No. 4 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(d) Previously filed on December 14, 2004 as an Exhibit of like number to Amendment No. 5 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.

(e) Previously filed on February 17, 2005 as an Exhibit to the Company's registration statement on Form S-8 (File No. 333-122871) and is incorporated herein by reference.

(f) Previously filed on March 14, 2005 as an Exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and is incorporated herein by reference.

(g) Previously filed on May 9, 2005 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and is incorporated herein by reference.

(h) Previously filed on May 13, 2005 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(i) Previously filed on June 14, 2005 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 3, 2005

HERBALIFE LTD.

(Registrant)

By: /s/ RICHARD GOUDIS

Richard Goudis
Chief Financial Officer

AMENDMENT AGREEMENT

This AMENDMENT AGREEMENT (the "Amendment Agreement") is made as of May 15, 2005, by and among Michael O. Johnson ("Executive"), Herbalife International, Inc., and Herbalife International of America, Inc.

WITNESSETH

WHEREAS, the parties have previously entered into that certain Employment Agreement, dated as of April 3, 2003 (the "Employment Agreement"); and

WHEREAS, the parties now wish to modify the basis upon which Executive's annual performance bonus, if any, is determined from EBITDA to net income.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged the parties hereby amend Annex A of the Employment Agreement so that it reads in its entirety as follows:

"Annex A

Bonus Targets and Target Bonus Amounts

For the year ended December 31, 2005 and each subsequent year during the Term, Executive shall be entitled to a bonus, if earned, in an amount equal to the sum of (y) the Net Income Bonus, if any, and (z) the Alternative Performance Target ("APT") bonus, if any . Executive shall have earned a bonus based upon the level of achievement by Herbalife Ltd. of net income and the APT Target (as hereinafter defined), as determined based on the audited financial statements of Herbalife Ltd. and its consolidated subsidiaries for the relevant fiscal year, in the percentages set forth on the following table. For the purposes of the APT bonus, "APT Target" shall mean one or more alternative metrics (i.e. other than Net Income) set annually by the Board (upon the recommendation of the Board of Directors of the Company's ultimate parent entity) after consultation with Executive, and determined by reference to an annual plan (the "Plan") approved by the Board (upon the recommendation of the Board of Directors of the Company's ultimate parent entity) for the relevant fiscal year. The Board shall deliver written notice to Executive of the APT Target no later than January 31 of the relevant fiscal year.

	(A)	(B)	(C)
If the Company achieves this percentage of Net Income as set forth in the Plan…	**…Executive shall be awarded a Net Income Bonus equal to the product of Executives Base Salary and this factor:**	**If the Company achieves this percentage of the Alternative Performance Target as determined by reference to the Plan…**	**…Executive shall be awarded an Alternative Performance Bonus equal to the product of Executive's Base Salary and this factor:**
Greater than or equal to 114.6%	1.5	Greater than or equal to 114.6%	0.5
Greater than or equal to 107.3% and less than 114.6%	1.13125	Greater than or equal to 107.3% and less than 114.6%	0.4375
Greater than or equal to 100% and less than 107.3%	1.125	Greater than or equal to 100% and less than 107.3%	0.375
Greater than or equal to 95% and less than 100%	0.84375	Greater than or equal to 95% and less than 100%	0.28125
Greater than or equal to 90% and less than 95%	0.5625	Greater than or equal to 90% and less than 95%	0.1875
Greater than or equal to 85% and less than 90%	0.42225	Greater than or equal to 85% and less than 90%	0.14075
Greater than or equal to 80% and less than 85%	0.28125	Greater than or equal to 80% and less than 85%	0.09375
Less than 80%	-0-	Less than 80%	-0-

Notwithstanding any provision in this Agreement to the contrary (y) in no event shall the bonus earned by Executive for any calendar year (including 2005) be greater than 200% of Executive's Base Salary, and (z) seventy-five percent (75%) of the Executive's overall annual bonus potential shall be attributable to the Net Income Bonus, and twenty-five percent (25%) of the Executive's overall bonus potential shall be attributable to the Alternative Performance Bonus."

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Agreement to be executed as of the date first-above written.

HERBALIFE INTERNATIONAL, INC

By: ____________________________

Name:
Title:

HERBALIFE INTERNATIONAL OF AMERICA, INC.

By: ____________________________

Name:

MICHAEL O. JOHNSON.

Exhibit 31.1

Section 302 Certification

I, Michael O. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Herbalife Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date August 3, 2005

/s/ MICHAEL O. JOHNSON
Michael O. Johnson
Chief Executive Officer

Section 302 Certification

I, Richard Goudis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Herbalife Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2005

/s/ RICHARD GOUDIS
Richard Goudis
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2005 of Herbalife Ltd. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "Commission") on the date hereof (the "Report") and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of the Company certifies that:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2005

/s/ MICHAEL O. JOHNSON
Michael O. Johnson
Chief Executive Officer

Date: August 3, 2005

/s/ RICHARD GOUDIS
Richard Goudis
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Herbalife Ltd. and will be retained by Herbalife Ltd. and furnished to the Commission or its staff upon request.