



Herbalife Ltd. Announces Record First-Quarter Revenue of \$508.1 Million

LOS ANGELES--(BUSINESS WIRE)--May 1, 2007--Herbalife Ltd. (NYSE:HLF) today reported first-quarter net sales of \$508.1 million, an increase of 11.5 percent compared to the same period of 2006. This record performance was largely attributable to continued growth in several of the company's largest markets, including its two largest markets, the U.S. and Mexico, which reported net sales growth of 22.5 percent and 12.6 percent, respectively, versus the first quarter of 2006. The company's chief executive officer, Michael O. Johnson, said, "We are pleased to report our 13th consecutive quarter of double-digit year-over-year revenue growth and another record quarter for revenue and earnings. This performance was driven by the strength of our independent distributors, the success of their daily methods of operation, our products and our employees."

During the first quarter 2007, a record 44,226 distributors qualified as new supervisors, an increase of 6.3 percent versus the first quarter of 2006. Total supervisors of 313,962 increased 21.1 percent versus first quarter 2006 and the company's President's Team increased 14.1 percent to 1,003 members. Additionally, based on its January 2007 re-qualification results, the company retained 42.5 percent of its distributor supervisors, an increase of 100 basis points from 2006.

Financial Performance

For the quarter ended March 31, 2007, the company reported net income of \$41.2 million, or \$0.55 per diluted share, compared to \$38.7 million, or \$0.53 per diluted share in the first quarter of 2006. The increase in net income was primarily attributable to strong net sales growth and a lower effective tax rate during the period, partially offset by \$1.0 million in after-tax, employee-related costs incurred during the quarter relating to the company's realignment for growth initiative and a \$3.6 million increase in tax reserves. Excluding the impact of these realignment costs and other items(1), first quarter 2007 net income increased 30.7 percent to \$45.7 million, or \$0.61 per diluted share, compared to \$0.48 per diluted share in the first quarter of 2006.

The company invested \$9.1 million in capital expenditures during the first quarter, primarily related to enhancements to its management information systems and additional infrastructure investments to improve distributor service levels. Additionally, the company pre-paid \$29.5 million of its senior credit facility during the quarter.

First Quarter 2007 Business Highlights

Consistent with its distributor strategy, the company continued to support the development and training of its distributors during the first quarter, by hosting over 55,000 distributors globally at more than 40 major local and regional events. Highlights include the worldwide President's Summit in the U.S.; regional Extravaganzas in Colombia and northeast Brazil; a Supervisor Spectacular and Leadership meeting in Japan and Korea; a Greater China Spectacular in Hong Kong along with a three-city doctor tour and a three-city CEO tour in China. Additionally, the company opened El Salvador as its 64th country in February.

The company also continued to support distributor business methods by expanding its distribution reach in key markets, enhancing product packaging and expanding the global distribution of its leading products. "We continue to focus our company resources on increasing product availability in Mexico while we strengthen our product line and services to better support our distributors' daily methods of operations," said Greg Probert, the company's president and chief operating officer.

In March, the company received notification from China's Ministry of Commerce that it had received a direct-selling license that permits the company to conduct a direct-selling business in Suzhou and Nanjing in the Jiangsu province. Over six million people live in Suzhou, the fifth largest Chinese city based upon GDP and approximately eight million people live in Nanjing, which is the second largest commercial center in East China after Shanghai.

Additionally, the company announced a five-year, multimillion dollar expansion of its agreement with AEG making Herbalife the presenting sponsor of the Los Angeles Galaxy. The agreement gives Herbalife on-jersey exposure for its brand beginning with the 2007 season.

Regional Performance

EMEA reported net sales of \$143.2 million in the first quarter, up 1.2 percent versus the same period of 2006. However, excluding currency fluctuations, net sales decreased 5.5 percent. The performance was primarily attributable to growth in several of the region's top markets, including Portugal, up 37.3 percent, Spain, up 18.1 percent, France, up 8.4 percent, and Italy, up 6.9 percent, in each case compared to the first quarter of 2006. These gains were partially offset by declines in other

core markets including Germany and the Netherlands, which were down 21.1 percent and 19.5 percent, respectively, versus the comparable period of 2006. Total supervisors in the region, as of March 31, 2007, decreased 3.0 percent versus the same period in 2006.

North America reported net sales of \$104.5 million in the first quarter, up 20.0 percent versus the same period of 2006. Excluding currency fluctuations, net sales increased 20.2 percent. Total supervisors in the region, as of March 31, 2007, increased 18.7 percent versus the same period in 2006.

Mexico and Central America reported net sales of \$95.9 million in the first quarter, up 14.2 percent versus the same period of 2006. Excluding currency fluctuations, net sales increased 18.6 percent. Total supervisors in the region, as of March 31, 2007, increased 57.2 percent as compared to the same period in 2006.

SAM/SEA reported net sales of \$55.8 million in the first quarter, up 28.3 percent versus the same period of 2006. Excluding currency fluctuations, net sales increased 23.6 percent. The growth in the region was primarily attributable a 52.4 percent increase in Thailand and a 94.1% increase in Colombia compared to the first quarter of 2006 coupled with the recent opening of Peru. Total supervisors in the region, as of March 31, 2007, increased 48.9 percent versus the same period in 2006.

Greater China reported net sales of \$40.7 million in the first quarter, up 42.3 percent versus the same period of 2006. Excluding currency fluctuations, net sales increased 42.7 percent. The increase was primarily attributable to incremental sales in China up 173.4 percent, and 28.5 percent growth in Taiwan. Total supervisors in the region, as of March 31, 2007, increased 33.1 percent versus the same period in 2006.

Brazil reported net sales of \$33.3 million in the first quarter, down 6.2 percent versus the same period of 2006. Excluding currency fluctuations, net sales decreased 10.0 percent. Total supervisors, as of March 31, 2007, increased 3.5 percent versus the same period in 2006.

North Asia reported net sales of \$34.7 million in the first quarter, down 2.5 percent versus the same period of 2006. Excluding currency fluctuations, net sales decreased 3.0 percent. The performance reflects a 12.8 percent decline in Japan, mostly offset by a 14.6 percent increase in South Korea. Total supervisors in the region, as of March 31, 2007, decreased 1.3 percent versus the same period in 2006.

Second Quarter and Full Year 2007 Guidance

Based on its current business trends, the company is reaffirming second quarter 2007 diluted earnings per share guidance provided on April 25, 2007 in the range of \$0.58 to \$0.62. Additionally, for the full year 2007, the company is reaffirming its diluted earnings per share estimates in the range of \$2.49 to \$2.56 as announced on April 25, 2007. The company's second quarter and full year 2007 diluted earnings per share estimates exclude severance expenses associated with the company's realignment for growth initiative, any potential accretion/dilution related to the company's \$300 million share repurchase program, and the increase in tax reserves, which was reported in the first quarter 2007 financial results.

First Quarter Earnings Conference Call

Herbalife's first quarter earnings conference call will be conducted on Wednesday, May 2, 2007 at 8 a.m. PST (11 a.m. EST). The conference call numbers are (866) 244-4519 for domestic calls and (703) 639-1171 for calls made from outside the United States. Additionally, the conference call will be webcasted. The link to the webcast is on the Investor Relations section of the company's Web site at <http://ir.herbalife.com/>. An audio replay will be available following the completion of the conference call in MP3 format or by dialing (866) 219-1444 (domestic callers) and (703) 925-2474 (international callers) and entering access code 1069063. The webcast of the teleconference will be archived and available on Herbalife's Web site.

About Herbalife Ltd.

[Herbalife](#) is a global network marketing company that sells weight-management, nutritional supplements and personal care products intended to support a healthy lifestyle. Herbalife products are sold in 64 countries through a network of more than 1.5 million independent distributors. The company supports the [Herbalife Family Foundation](#) and its Casa Herbalife program to bring good nutrition to children. Please visit [Herbalife Investor Relations](#) for additional information.

Disclosure Regarding Forward-Looking Statements

Except for historical information contained herein, the matters set forth in this press release are "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions

underlying any of the foregoing. Forward-looking statements may include the words, "may," "will," "estimate," "intend," "continue," "believe," "expect," or "anticipate" and any other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:

- our relationship with, and our ability to influence the actions of, our distributors;
- adverse publicity associated with our products or network marketing organization;
- uncertainties relating to interpretation and enforcement of recently enacted legislation in China governing direct selling;
- risk of our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy, Chinese legal system or Chinese governmental policies;
- risk of improper action by our employees or international distributors in violation of applicable law;
- changing consumer preferences and demands;
- loss or departure of any member of our senior management team which could negatively impact our distributor relations and operating results;
- the competitive nature of our business;
- regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products, and network marketing program, including the direct selling market in which we operate;
- 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;
- uncertainties relating to the application of transfer pricing, duties and similar tax regulations;
- taxation relating to our distributors,
- product liability claims; and
- there can be no assurance that we will purchase any of our shares in the open market or otherwise.

(1) See Schedule A - "Reconciliation of Non-GAAP Financial Measures" for more detail.

RESULTS OF OPERATIONS:

Herbalife Ltd.
Consolidated Statements of Income
(In thousands, except per share data)

| | Quarter Ended | |
|----------------------------|---------------|-----------|
| | 3/31/2006 | 3/31/2007 |
| EMEA | \$141,466 | \$143,198 |
| Mexico & Central America | 84,040 | 95,876 |
| North America | 87,049 | 104,571 |
| SAMSEA | 43,474 | 55,766 |
| Brazil | 35,576 | 33,295 |
| Greater China | 28,570 | 40,681 |
| North Asia | 35,613 | 34,712 |
| Worldwide net sales | 455,788 | 508,099 |
| Cost of Sales | 91,366 | 107,283 |
| Gross Profit | 364,422 | 400,816 |
| Royalty Overrides | 165,298 | 180,260 |
| SGA | 135,044 | 149,428 |
| Operating Income | 64,080 | 71,128 |
| Interest Expense - net | 6,015 | 2,204 |
| Income before income taxes | 58,065 | 68,924 |
| Income Taxes | 19,369 | 27,744 |
| Net Income | 38,696 | 41,180 |
| Basic Shares | 69,947 | 71,722 |
| Diluted Shares | 73,451 | 74,943 |
| Basic EPS | \$0.55 | \$0.57 |
| Diluted EPS | \$0.53 | \$0.55 |

Herbalife Ltd.
Consolidated Balance Sheets
(In thousands)

| | Dec 31, 2006 | March 31, 2007 |
|-----------------------------|-----------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash & cash equivalents | \$154,323 | \$162,207 |
| Inventory, net | 146,036 | 130,114 |
| Other current assets | 155,348 | 154,430 |
| Total Current Assets | 455,707 | 446,751 |
| Property and equipment, net | 105,266 | 106,182 |
| Other Assets | 30,931 | 31,138 |
| Goodwill | 113,221 | 112,964 |
| Intangible assets, net | 311,808 | 311,033 |
| Total Assets | \$1,016,933 | \$1,008,068 |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

| | | |
|-----------------------------------|---------|---------|
| Accounts payable | 39,990 | 26,557 |
| Royalty Overrides | 116,896 | 103,899 |
| Accrued expenses | 149,575 | 134,403 |
| Current portion of long term debt | 5,599 | 4,290 |
| Other current liabilities | 11,432 | 27,406 |

| | | |
|---------------------------|---------|---------|
| Total Current Liabilities | 323,492 | 296,555 |
|---------------------------|---------|---------|

| | | |
|--|---------|---------|
| Long-term debt, net of current portion | 179,839 | 149,892 |
| Other long-term liabilities | 159,712 | 161,252 |

| | | |
|-------------------|---------|---------|
| Total Liabilities | 663,043 | 607,699 |
|-------------------|---------|---------|

Shareholders' equity:

| | | |
|--------------------------------------|---------|---------|
| Common shares | 143 | 144 |
| Additional paid in capital | 132,755 | 138,533 |
| Accumulated other comprehensive loss | (782) | (1,262) |
| Retained earnings | 221,774 | 262,954 |

| | | |
|----------------------------|---------|---------|
| Total Shareholders' Equity | 353,890 | 400,369 |
|----------------------------|---------|---------|

| | | |
|--|-------------|-------------|
| Total Liabilities and Shareholders' Equity | \$1,016,933 | \$1,008,068 |
|--|-------------|-------------|

Herbalife Ltd.
Total Supervisors by Region

| Region | 3/31/2006 | 3/31/2007 | % Chg |
|----------------------------|-----------|-----------|-------|
| EMEA | 69,537 | 67,417 | -3% |
| Mexico and Central America | 41,737 | 65,630 | 57% |
| North America | 48,673 | 57,753 | 19% |
| SAM/SEA | 33,376 | 49,690 | 49% |
| Brazil | 28,981 | 29,997 | 4% |
| Greater China | 20,406 | 27,157 | 33% |
| North Asia | 16,526 | 16,318 | -1% |
| Worldwide | 259,236 | 313,962 | 21% |

Herbalife Ltd.
Volume Points by Region
(in millions)

| Region | Three Months Ended | | |
|--------|--------------------|-----------|-------|
| | 3/31/2006 | 3/31/2007 | % Chg |
| | | | |

| | | | |
|----------------------------|-------|-------|-------|
| Mexico and Central America | 136.4 | 154.7 | 13% |
| North America | 130.7 | 162.3 | 24% |
| EMEA | 148.9 | 140.4 | -6% |
| SAM/SEA | 56.7 | 75.5 | 33% |
| Brazil | 44.7 | 40.3 | -10% |
| Greater China | 31.9 | 44.7 | 40% |
| North Asia | 30.7 | 32.8 | 7% |
| | ----- | ----- | ----- |
| Worldwide | 580.0 | 650.7 | 12% |
| | ===== | ===== | ===== |

SUPPLEMENTAL INFORMATION

SCHEDULE A: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following is a reconciliation of net income, presented and reported in accordance with U.S. generally accepted accounting principles, to net income adjusted for certain items:

| | ----- | |
|---|--------------------|-----------|
| | Three Months Ended | |
| | ----- | |
| | 3/31/2006 | 3/31/2007 |
| | ----- | |
| Net income, as reported | \$38,696 | \$41,180 |
| Tax benefit resulting from an international income tax audit settlement | (3,693) | - |
| Expenses associated with the realignment for growth initiative | - | 989 |
| Increase in tax reserves | | 3,565 |
| | ----- | |
| Net income, as adjusted | \$35,003 | \$45,734 |
| | ===== | |

The following is a reconciliation of diluted earnings per share, presented and reported in accordance with U.S. generally accepted accounting principles, to diluted earnings per share adjusted for certain items:

| | ----- | |
|---|--------------------|-----------|
| | Three Months Ended | |
| | ----- | |
| | 3/31/2006 | 3/31/2007 |
| | ----- | |
| Diluted earnings per share, as reported | \$0.53 | \$0.55 |
| Tax benefit resulting from an international income tax audit settlement | (0.05) | - |
| Expenses associated with the realignment for growth initiative | - | 0.01 |
| Increase in tax reserves | | 0.05 |
| | ----- | |
| Diluted earnings per share, as adjusted | \$0.48 | \$0.61 |
| | ===== | |

Note: Amounts may not total due to rounding.

SCHEDULE B: FINANCIAL GUIDANCE

2007 Guidance

For the Three Months ending June 30, 2007 and Twelve Months Ending
December 31, 2007

| | Three Months Ending June 30, 2007 | | Twelve Months Ending December 31, 2007 | |
|---------------------------|--------------------------------------|--------|---|--------|
| | Low | High | Low | High |
| Net sales growth vs. 2006 | 7.0% | 10.0% | 7.0% | 10.0% |
| Effective tax rate (1) | 35.0% | 36.0% | 35.0% | 36.0% |
| EPS (2) | \$0.58 | \$0.62 | \$2.49 | \$2.56 |
| Cap Ex (\$ mm's) | \$10.0 | \$12.0 | \$40.0 | \$45.0 |

(1) Excludes the increase in tax reserves which was reported in the first quarter 2007 financial results.

(2) Excludes the impact of expenses expected to be incurred in 2007 relating to the company's realignment for growth initiative and the increase in tax reserves, which was reported in the first quarter 2007 financial results. Also excludes any potential accretion/dilution related to the company's \$300MM share repurchase program

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SOURCE: Herbalife Ltd.