HERBALIFE LTD.
Form 424B1
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Registration Statement No. 333-119485

PROSPECTUS

14,500,000 Shares

Common Shares

This is Herbalife Ltd.'s initial public offering. Herbalife Ltd. is selling 13,500,000 shares and Herbalife Ltd. shareholders are selling 1,000,000 shares.

Currently, no public market exists for the shares. The shares have been approved for listing on the New York Stock Exchange under the symbol "HLF."

Investing in our common shares involves risks that are described in the "Risk Factors" section beginning on page 8 of this prospectus.

	Per share	Total
Public offering price	$14.00	$203,000,000
Underwriting discount	$.98	$14,210,000
Proceeds, before expenses, to Herbalife Ltd.	$13.02	$175,770,000
Proceeds, before expenses, to selling shareholders	$13.02	$13,020,000

The underwriters may also purchase up to an additional 2,175,000 shares from Herbalife Ltd. at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about December 21, 2004.

Merrill Lynch & Co. **Morgan Stanley**

Banc of America Securities LLC

Credit Suisse First Boston

Citigroup

The date of this prospectus is December 15, 2004.

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

PROSPECTUS SUMMARY

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

HERBALIFE

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

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

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

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

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

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

Our Market Opportunity

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

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

Our Competitive Strengths

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

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

Our Business Strategy

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

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

Risks Affecting Us

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

Our Sponsors

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

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

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

Corporate Structure and Information

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

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

THE RECAPITALIZATION

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

- a tender offer for any and all of Herbalife International's outstanding $11^3/_4$% senior subordinated notes due 2010, which we refer to as the $11^3/_4$% Notes, and related consent solicitation to amend the indenture governing the $11^3/_4$% Notes;

- the redemption of 40% of our outstanding $9^1/_2$% notes due 2011, which we refer to as our $9^1/_2$% Notes;

- the replacement of Herbalife International's existing $205.0 million senior credit facility with a new $225.0 million senior credit facility;

- the payment of a special cash dividend to our current shareholders in the amount of $109.3 million subject to upward adjustment in the event the underwriters exercise their over-allotment option. If the underwriters exercise their over-allotment option in full, our current shareholders will receive an aggregate special cash dividend of $139.7 million. As a new purchaser of our common shares, you will not be entitled to participate in this cash dividend; and

- the amendment of our memorandum and articles of association to: (1) effect a 1:2 reverse stock split of our common shares; (2) increase our authorized common shares to 500 million shares; and (3) increase our authorized preference shares to 7.5 million shares, all of which took effect on December 1, 2004.

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

The closing of this initial public offering is conditioned upon the execution of a new senior credit facility and the receipt by Herbalife International of tenders from the holders of at least a majority of the outstanding aggregate principal amount of the $11^3/_4$% Notes. As of the consent date of November 24, 2004, Herbalife International received tenders from holders of approximately 99.1% of the outstanding $11^3/_4$% Notes.

THE OFFERING

Common shares offered by us	13,500,000 shares
Common shares offered by the selling shareholders	1,000,000 shares
Common shares outstanding after this offering	65,944,291 shares
Use of proceeds	We estimate that our net proceeds from the sale of shares in this offering will be approximately $172.6 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds, together with borrowings under the new senior credit facility and Company cash, to effect the Transactions. We will not receive any proceeds from the sale of shares by the selling shareholders. We do not expect to use proceeds from this offering to invest in the growth of our business or the development of new products. See "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 8 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common shares.
New York Stock Exchange symbol	HLF

Unless we specifically state otherwise, all information in this prospectus:

- assumes no exercise of the over-allotment option granted by us in favor of the underwriters;
- is based upon 52,444,291 shares outstanding as of September 30, 2004;
- gives effect to a 1:2 reverse stock split of our common shares which took effect December 1, 2004;
- assumes no exercise of options and warrants to purchase 10.7 million of our common shares outstanding as of December 1, 2004 with a weighted average exercise price of $9.18 per share; and
- assumes no issuance of additional options to purchase our common shares under our existing stock incentive plans.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth certain of our historical financial data and certain unaudited pro forma financial data. We have derived the summary consolidated financial data as of December 31, 2002 and 2003 and for the year ended December 31, 2001, the seven month period ended July 31, 2002, the five month period ended December 31, 2002, and the year ended December 31, 2003, from our audited financial statements and the related notes included elsewhere in this prospectus. We have derived the summary consolidated financial data as of and for the nine months ended September 30, 2003 and as of and for the nine months ended September 30, 2004 from the unaudited financial statements and related notes included elsewhere in this prospectus. The table also contains summary unaudited pro forma financial information which gives effect to the offering and the Transactions described in the "Unaudited Pro Forma Condensed Consolidated Financial Statements" included elsewhere in this prospectus. The summary financial data set forth below are not necessarily indicative of the results of future operations and the unaudited pro forma financial information does not purport to present our actual financial position or results if the offering and the Transactions actually occurred on the date specified in the unaudited pro forma condensed consolidated financial statements. The summary financial data should be read in conjunction with our audited consolidated financial statements, the selected consolidated historical financial data, the unaudited financial statements, and the unaudited pro forma condensed consolidated financial statements, and, in each case, the related notes included elsewhere in this prospectus, in addition to the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." All common share and earnings per share data for the Company gives effect to a 1:2 reverse stock split of our common shares, which took effect December 1, 2004.

	Predecessor		**Company**			
	Year Ended December 31, 2001	**January 1 to July 31, 2002**	**August 1 to December 31, 2002**	**Year Ended December 31, 2003**	**Nine Months Ended September 30, 2003**	**Nine Months Ended September 30, 2004**
			(in thousands, except per share amounts)			
Statement of Income Data:						
Net sales	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021
Gross profit	778,608	503,635	354,523	923,648	684,959	769,197
Operating income(1)	68,775	14,304	52,889	107,036	94,807	111,020
Net income	42,588	9,212	14,005	36,847	35,783	23,094
Earnings per share						
Basic	$ 1.40	$ 0.28	$	$	$	$ 0.44
Diluted	$ 1.36	$ 0.27	$ 0.27	$ 0.69	$ 0.67	$ 0.42
Weighted average shares outstanding						
Basic	30,422	32,387				52,121
Diluted	31,250	33,800	51,021	53,446	53,133	55,246
Pro forma net income (unaudited)(2)				$ 39,987		$ 50,797
Pro forma earnings per share (unaudited)(2)						
Basic				$ 2.96		$ 0.77
Diluted				$ 0.60		$ 0.74
Pro forma weighted average shares outstanding (unaudited)						
Basic				13,500		65,621
Diluted				66,945		68,746
Other Financial Data:						
Retail sales (unaudited)(3)	$ 1,656,168	$ 1,047,690	$ 731,505	$ 1,894,384	$ 1,400,821	$ 1,584,011
Acquisition transaction expenses		54,708	6,183			
Depreciation and amortization	18,056	11,722	11,424	55,605	43,953	34,287
Capital expenditures(4)	14,751	6,799	3,599	20,435	15,385	20,681

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted(5)
	(in thousands)	
Balance Sheet Data:		
Cash, cash equivalents and marketable securities	$ 164,669	$ 38,337
Total working capital(6)	35,602	(63,517)
Total assets	916,142	765,685
Total debt	501,739	369,584
Other long-term liabilities	122,115	100,691
Shareholders' equity	41,206	54,139

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

(2) Pro forma information (unaudited) presented gives effect to the sale of $275.0 million aggregate principal amount of 9$^1/_2$% Notes in March 2004, and the transactions contemplated in this offering.

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

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

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

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

(4)

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

(5) The pro forma as adjusted column reflects the consummation of the Transactions as if they had occurred on September 30, 2004, including our sale of 13.5 million shares in the offering at an initial public offering price of $14.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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

RISK FACTORS

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

Risks Related To Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are also subject to significant competition for the recruitment of distributors from other network marketing organizations, including those that market weight management products, dietary and nutritional supplements, and personal care products as well as other types of products. We compete for global customers and distributors with regard to weight management, nutritional supplement and personal care products. Our competitors include both direct selling companies such as NuSkin Enterprises, Nature's

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

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

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

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

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

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

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

We are also subject to the risk of private party challenges to the legality of our network marketing program. The multi-level marketing programs of other companies have been successfully challenged in the past, and in a current lawsuit, allegations have been made challenging the legality of our network marketing program in Belgium. Test Ankoop-Test Achat, a Belgian consumer protection organization, sued Herbalife International Belgium, S.V. ("HIB") on August 26, 2004, alleging that HIB violated Article 84 of the Belgian Fair Trade Practices Act by engaging in pyramid selling, *i.e.*, establishing a network of professional or non-professional sales people who hope to make a profit more through the expansion of that network rather than through the sale of products to end-consumers. The plaintiff is seeking a payment of € 25,000 per purported violation (equal to approximately $33,000 as of December 2, 2004) as well as costs of the trial. For the nine months ended September 30, 2004, our net sales in Belgium were approximately $15.3 million. Currently, the lawsuit is in the initial stages. An adverse judicial determination with respect to our network marketing program, or in proceedings not involving us directly but which challenge the legality of multi-level marketing systems, in Belgium or in any other market in which we operate, could negatively impact our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Formula 1 meal replacement product constitutes a significant portion of our sales, accounting for approximately 26%, 23%, 21% and 20% of net sales for the nine months ended September 30, 2004 and the fiscal years ended December 31, 2003, 2002 and 2001, respectively. If consumer demand for this product decreases significantly or we cease offering this product without a suitable replacement, then our financial condition and operating results would be harmed.

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

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

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

In connection with the consummation of the Acquisition and with the offering of our $9^1/_2$% Notes, we have incurred a substantial amount of debt. At September 30, 2004, our total debt was $501.7 million and our shareholders' equity was $41.2 million. Our annual debt service payment for 2004 is expected to be approximately $154.1 million (through September 30, 2004, $133.1 million was paid), which includes the prepayment of existing term loan borrowings of $40.0 million and the repurchase of 15.5% senior notes of $39.6 million plus related premium of $11.4 million. Subsequent to this offering, our pro forma total debt will be approximately $369.6 million, our pro forma shareholder's equity will be approximately $54.1 million and our pro forma annual debt service payment for 2005 will be approximately $31.0 million. Our substantial amount of debt may have important consequences for us. For example, it may:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Immediately following this offering and the use of proceeds therefrom, affiliates of Whitney and Golden Gate Capital will own approximately 40.0% and 22.7%, respectively, of the voting power of our share capital. Accordingly, the Equity Sponsors collectively will have the power to cause the approval or rejection of any matter on which the shareholders may vote, including the election of directors, amendment of our memorandum and articles of association and approval of significant corporate transactions and they will have significant control over our management and policies. This control over corporate actions may also delay, deter or prevent transactions that would result in a change of control. In addition, even if all shareholders other than the Equity Sponsors voted together as a group, they would not have the power to adopt any action or to block the adoption of any action favored by the Equity Sponsors if the Equity Sponsors act in concert. Moreover, the Equity Sponsors may have interests that conflict with yours.

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

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

Risks Related To This Offering

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

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

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

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

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

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

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

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules which will require us to include in our annual reports on Form 10-K, beginning in fiscal 2005, an assessment by

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

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

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

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

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

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

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

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

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

If our existing shareholders sell, or indicate an intention to sell, substantial amounts of our common shares in the public market after the 180-day contractual lock-up, which is subject to adjustment, and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common shares could decline below the initial public offering price. Based on the number of shares outstanding as of December 1, 2004, upon completion of this offering, we will have 65,988,044 outstanding common shares, assuming no exercise of the underwriters' over-allotment option. Of these shares, only common shares sold in this offering will be freely tradable, without restriction, in the public market. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, on behalf of the underwriters, may, in their sole discretion, permit our officers, directors, employees and shareholders who have entered into lock-up agreements with the underwriters to sell shares prior to the expiration of the lock-up agreements.

After the lock-up agreements pertaining to this offering expire (180 days or more from the date of this prospectus, subject to adjustment), all of our outstanding shares will be eligible for sale in the public market, but they will be subject to volume limitations under Rule 144 under the Securities Act. In addition, the 10.7 million shares subject to outstanding options and rights under our Stock Incentive Plan and Independent Directors' Stock Incentive Plan and warrants will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common shares could decline.

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

The initial public offering price of our common shares will be substantially higher than the book value per share of the outstanding common shares after this offering. Therefore, based on an initial public offering price of $14.00 per share, if you purchase our common shares in this offering, you will suffer immediate and substantial dilution of approximately $20.79 per share. If the underwriters exercise their over-allotment option, or if outstanding options to purchase our common shares are exercised, you will experience additional dilution. See "Dilution" for more information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and other similar words.

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

- our relationships with, and our ability to influence the actions of, our distributors;
- adverse publicity associated with our products or network marketing organization;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products and network marketing program;
- risks associated with operating internationally, including foreign exchange risks;
- our dependence on increased penetration of existing markets;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of trademarks and other intellectual property rights;
- product concentration;
- our reliance on our management team;
- product liability claims;
- uncertainties relating to the application of transfer pricing and similar tax regulations; and
- taxation relating to our distributors.

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

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

MARKET DATA

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

OUR RECAPITALIZATION

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

- a tender offer and consent solicitation for all of Herbalife International's outstanding $11\frac{3}{4}$% Notes and the payment of accrued interest in connection therewith;
- the redemption of 40% of our outstanding $9\frac{1}{2}$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the retirement of our existing senior credit facility;
- the establishment of a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $109.3 million subject to upward adjustment in the event that the underwriters exercise their over-allotment option;
- the amendment of our memorandum and articles of association to: (1) effect a 1:2 reverse stock split of our common shares; (2) increase our authorized common shares to 500 million shares; and (3) increase our authorized preference shares from five million shares to 7.5 million shares, all of which took effect December 1, 2004; and
- the payment of related transaction fees and expenses.

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

Tender Offer and Consent Solicitation for $11\frac{3}{4}$% Notes. In connection with this offering, Herbalife International has commenced a tender offer and consent solicitation with respect to all of the outstanding $160.0 million aggregate principal amount of $11\frac{3}{4}$% Notes for an assumed purchase price of approximately $197.5 million which includes accrued interest. The closing of this offering of our common shares will be conditioned upon the tender by the holders of at least a majority in the aggregate principal amount of the existing $11\frac{3}{4}$% Notes outstanding, and the consummation of the tender offer and consent solicitation is conditioned upon the closing of this offering. As of the consent date of November 24, 2004, Herbalife International had received tenders from holders of approximately 99.1% of the outstanding $11\frac{3}{4}$% Notes.

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

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

New Senior Credit Facility. Concurrently with the closing of this offering, we will enter into a new $225.0 million senior secured credit facility with a syndicate of financial institutions, including affiliates of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book-managers. In this prospectus, we refer to this credit facility as the new credit facility. We expect that the new senior credit facility will include a senior secured revolving credit facility with total availability of up to $25.0 million, which we refer to as the new revolver, and a senior secured term loan facility in an aggregate principal amount of $200.0 million, which we refer to as the new term loan. We expect that the new revolver will have a five-year maturity and the new term loan will have a six-year maturity. We expect the new term loan to amortize at a per annum rate not to exceed 1%. The closing of this offering is conditioned upon the closing of the new senior credit facility. See "Description of Material Indebtedness New Senior Credit Facility."

Payment of a Special Cash Dividend to Our Current Shareholders. We intend to use a portion of the net proceeds from this offering and the Transactions to pay a $109.3 million special cash dividend to our current shareholders subject to upward adjustment on a dollar for dollar basis in the event and only to the extent that (1) the underwriters exercise their over-allotment option, (2) the proceeds related to such exercise are received by us and (3) on any date of payment we are able to pay our debts as they fall due. If the underwriters exercise their over-allotment option in full, our current shareholders will receive an aggregate special cash dividend of $139.7 million. The record date for this dividend is December 14, 2004. **Consequently, you will not be entitled to participate in this dividend as a result of your purchase of our common shares in this offering and your interest in our common shares will be diluted.** See "Dilution."

Reverse Stock Split and Amendment to Share Capital. In connection with the offering described in this prospectus, we have amended our memorandum and articles of association to: (1) effect a 1:2 reverse stock split of our common shares; (2) increase our authorized common shares to 500 million shares; and (3) increase our authorized preference shares from five million shares to 7.5 million shares.

As a result of the borrowings we expect to make initially under the new credit facility, the tender and consent solicitation for our $11^3/_4$% Notes, and the redemption of 40% of the aggregate outstanding principal amount of our $9^1/_2$% Notes in connection with this offering, we anticipate that upon the consummation of this offering we will have approximately $369.6 million of total debt outstanding, net of unamortized underwriting fees.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $172.6 million from the sale of our common shares in this offering after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $200.9 million. The following table summarizes the estimated sources and uses of funds for the Transactions and assumes:

- an offering of 13,500,000 shares at an offering price of $14.00 per share;
- the tender of 100% of the $11^3/_4$% Notes at an assumed purchase price of approximately $197.5 million;
- the redemption of 40% of our outstanding $9^1/_2$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the retirement of our existing senior credit facility;
- the establishment of a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $109.3 million subject to upward adjustment in the event that the underwriters exercise their over-allotment option. If the underwriters exercise their over-allotment option in full, our current shareholders will receive an aggregate special cash dividend of $139.7 million; and
- the payment of related transaction fees and expenses.

The selling shareholders will receive the net proceeds from the sale of common shares to be sold by them in this offering. We will not receive any proceeds from the sale of common shares by the selling shareholders.

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

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

		Amount
		(in millions)
Sources of Funds		
Gross offering proceeds	$	189.0
Borrowings under New Credit Facility		200.0
Existing excess cash		128.3
Total sources	$	517.3

		Amount
		(in millions)
Uses of Funds		
Payment of special cash dividend	$	109.3
Redemption of 40% of 9 1/2% Notes(1)		110.0
Tender for 11 3/4% Notes(2)		160.0
Repayment of existing credit facility(3)		66.7
Accrued interest		11.7
Estimated fees and expenses of the offering and the Transactions(4)		59.6
Total Uses	$	517.3

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

(2) Interest on the 11 3/4% Notes is payable semi-annually in arrear on January 15 and July 15 of each year, and the notes mature on July 15, 2010. Assumes 100% of the outstanding 11 3/4% Notes will be tendered.

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

(4) Includes estimated transaction fees and expenses of $16.4 million related to the sale of our common shares and $3.4 million related to the establishment of our new senior credit facility, an assumed tender premium for the 11 3/4% Notes of approximately $29.3 million, assuming 100% of the 11 3/4% Notes are tendered prior to the expiration date of December 20, 2004, and a redemption premium for the 9 1/2% Notes of $10.5 million. As of the consent date of November 24, 2004, Herbalife International received tenders from holders of approximately 99.1% of the outstanding 11 3/4% Notes.

DIVIDEND POLICY

Promptly following the consummation of the offering of the common shares offered by this prospectus, we plan to make a distribution of approximately $109.3 million to our current shareholders subject to upward adjustment in the event that the underwriters exercise their over-allotment option. If the underwriters exercise their over-allotment option in full, our current shareholders will receive an aggregate special cash dividend of $139.7 million. You will not participate in this distribution. See "Our Recapitalization Payment of a Special Cash Dividend to Our Current Shareholders" for more information. In addition, we made $1.4 million and $4.9 million in dividend payments to our shareholders related to certain income that may be taxable to them for the years ended December 31, 2003 and December 31, 2004, respectively. See "Certain Relationships and Related Transactions Certain Transactions Related to Herbalife Share purchase agreement."

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

CAPITALIZATION

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

(1) on an actual basis after giving effect to a 1:2 reverse stock split of our common shares, which took effect December 1, 2004; and

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

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

	As of September 30, 2004	
	Actual	Pro Forma As Adjusted
	(in millions)	
Cash and cash equivalents[1]	$ 164.7	$ 38.3
Total debt (including current portion):		
Existing revolving credit facility	$	$
Existing term loan borrowings[1]	66.7	
New senior credit facility		200.0
Capitalized leases and other debt	8.8	8.8
$11^3/_4$% Notes, net[2]	158.3	
$9^1/_2$% Notes, net[3]	267.9	160.8
Total debt	$ 501.7	$ 369.6
Shareholders' equity:		
Common shares, par value $0.002 per share, 175,000,000 shares authorized actual and 500,000,000 pro forma, 52,444,291 shares outstanding actual and 65,944,291 shares outstanding pro forma as adjusted	$ 0.1	$ 0.1
Paid in capital in excess of par	2.5	175.0
Accumulated other comprehensive income	3.2	3.2
Retained earnings (accumulated deficit)	35.4	(124.2)
Total shareholders' equity	41.2	54.1
Total capitalization	$ 542.9	$ 423.7

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

(2) Net of $1.7 million of unamortized discount as of September 30, 2004 actual. Assumes 100% of the outstanding $11^3/_4$% Notes will be tendered.

(3)

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

DILUTION

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

Investors participating in this offering will incur immediate, substantial dilution. Our net tangible book value was $(460.8) million, computed as total shareholders' equity less goodwill and other intangible assets, or $(8.79) per common share outstanding. Our pro forma as adjusted net tangible book value at September 30, 2004 would have been $(447.9) million, or $(6.79) per common share, following the consummation of this offering and the Transactions, based upon the following assumptions:

- an offering of 13.5 million shares at an offering price of $14.00 per share;
- the tender of 100% of the $11^{3}/_{4}$% Notes;
- the redemption of 40% of our outstanding $9^{1}/_{2}$% Notes and the payment of accrued interest and a redemption premium in connection therewith;
- the replacement of our existing senior credit facility with a new senior credit facility;
- the payment to our current shareholders of a special cash dividend in the amount of $109.3 million subject to upward adjustment if the underwriters exercise their over-allotment option; and
- the payment of related transaction fees and expenses.

This represents an immediate increase in pro forma net tangible book value of $2.00 per common share to our existing shareholders and an immediate dilution of $20.79 per share to the new investors purchasing shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per common share	$	14.00
Net tangible book value per share at September 30, 2004	$	(8.79)
Increase in net tangible book value per share attributable to this offering		4.62
Decrease in net tangible book value per share attributable to the Transactions	$	(2.62)
Pro forma as adjusted net tangible book value per share after the offering		(6.79)
Dilution per share to new investors	$	20.79

The following table sets forth on a pro forma as adjusted basis, at December 1, 2004, the number of common shares purchased or to be purchased from us, the total consideration paid or to be paid and the average price per share paid or to be paid by existing holders of our common shares, by holders of options and warrants outstanding at December 1, 2004, and by the new investors, before deducting estimated underwriting discounts and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(dollars in thousands, except per share amounts)				
Existing shareholders common shares	52,488,044	68.4%	$ 181,388,761	38.7%	$ 3.46

	Shares Purchased		Total Consideration		
Existing shareholders options	10,018,360	13.1%	$ 87,538,504	18.7%	$ 8.74
Existing shareholders warrants	700,000	0.9%	10,850,000	2.3%	$ 15.50
New investors	13,500,000	17.6%	$ 189,000,000	40.3%	$ 14.00
Total	76,706,404	100%	$ 468,777,265	100%	

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

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(C) The amendment of our memorandum and articles of association to: (14) effect a 1:2 reverse stock split of our common shares, which took effect December 1, 2004.

The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2003, and the nine months ended September 30, 2004, give effect to the items (1) to (14) above, as if the transactions had occurred as of January 1, 2003. The unaudited pro forma condensed consolidated balance sheet gives effect to the items (6) to (14) as if they had occurred on September 30, 2004. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. The unaudited pro forma condensed consolidated financial statements do not purport to represent what the Company's financial condition or results of operations would actually have been had these transactions in fact occurred as of the dates indicated above or to project the Company's results of operations for these periods indicated or for any other period.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS

As of September 30, 2004

	September 30, 2004	Pro forma adjustments	Pro forma
		(in thousands)	
Assets			
Current Assets:			
Cash and cash equivalents	$ 164,669	(126,332)(1)	$ 38,337
Receivables	33,408		33,408
Inventories	77,751		77,751
Prepaid expenses and other current assets	30,606		30,606
Deferred income taxes	2,661		2,661
Total current assets	309,095		182,763
Property, net	49,788		49,788
Deferred compensation assets	19,564		19,564
Other assets	6,603		6,603
Deferred financing costs	29,103	(24,125)(2)	4,978
Intangible assets	334,472		334,472
Goodwill	167,517		167,517
Total	$ 916,142		$ 765,685
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	$ 21,413		$ 21,413
Royalty overrides	75,984		75,984
Accrued expenses and other liabilities	108,268	(9,811)(1)	98,457
Current portion of long-term debt	22,411	(17,402)(3)	5,009
Other current liabilities	45,417		45,417
Total current liabilities	273,493		246,280
Long-term debt, net of current portion	479,328	(114,753)(3)	364,575
Deferred compensation liability	13,706		13,706
Deferred income taxes	105,798	(21,424)(4)	84,374
Other non-current liabilities	2,611		2,611
Total liabilities	874,936		711,546
Common shares	105	27 (4)	132
Paid-in capital	2,486	172,543 (4)	175,029
Retained earnings	35,446	(159,637)(4)	(124,191)
Accumulated other comprehensive income	3,169		3,169
Shareholders' equity	41,206		54,139
Total	$ 916,142		$ 765,685

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31, 2003

	Historical	Pro forma Adjustments for the 9½% Notes Offering	Pro forma for the 9½% Notes Offering	Pro forma Adjustments for this Offering	Pro forma for the 9½% Notes Offering and this Offering
	(in thousands, except per share amounts)				
Product sales	$ 995,120		$ 995,120		$ 995,120
Handling and freight income	164,313		164,313		164,313
Net sales	1,159,433		1,159,433		1,159,433
Costs of sales	235,785		235,785		235,785
Royalty overrides	415,351		415,351		415,351
Marketing, distribution, and administrative expenses	401,261		401,261	804 (5)	402,065
Operating income	107,036		107,036		106,232
Interest expense, net	41,468	18,094(6)	59,562	(30,775)(7)	28,787
Income before income taxes	65,568		47,474		77,445
Income taxes	28,721	1,152(8)	29,873	7,585 (9)	37,458
Net income	$ 36,847		$ 17,601		$ 39,987
Earnings per share:					
Basic					
Diluted	$ 0.69				
Pro forma earnings per share, (unaudited)					
Basic					$ 2.96
Diluted	$ 0.69				$ 0.60
Pro forma weighted average shares (unaudited):					
Basic					13,500
Diluted	53,445				66,945

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Nine Months Ended September 30, 2004

	Historical	Pro forma Adjustments for the 9 1/2% Notes Offering	Pro forma for the 9 1/2% Notes Offering	Pro forma Adjustments for this Offering	Pro forma for the 9 1/2% Notes Offering and this Offering
	(in thousands, except per share amounts)				
Product sales	$ 831,329		$ 831,329		$ 831,329
Handling and freight income	136,692		136,692		136,692
Net sales	968,021		968,021		968,021
Cost of sales	198,824		198,824		198,824
Royalty overrides	342,366		342,366		342,366
Marketing, distribution, and administrative expenses	315,811		315,811	60 (5)	315,871
Operating income	111,020		111,020		110,960
Interest expense, net	55,233	(11,862)(6)	43,371	(20,795)(7)	22,576
Income before income taxes	55,787		67,649		88,384
Income taxes	32,693	186 (8)	32,879	4,708 (9)	37,587
Net income	$ 23,094		$ 34,770		$ 50,797
Earnings per share:					
Basic	$ 0.44				
Diluted	$ 0.42				
Pro forma earnings per common share (unaudited)					
Basic	$ 0.44				$ 0.77
Diluted	$ 0.42				$ 0.74
Pro forma weighted average shares (unaudited):					
Basic	55,121				65,621
Diluted	55,246				68,746

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Gross proceeds from this offering	$	189,000
Borrowings from the new senior credit facility		200,000
Redemption of 9$^1/_2$% Notes		(110,000)
Tender offer for 11$^3/_4$% Notes		(160,000)
Replacement of existing senior credit facility		(66,707)
Accrued interest on notes and term loan under the existing senior credit facility		(9,811)
Shareholders' dividend		(109,250)
Redemption premium on 9$^1/_2$% Notes, tender offer premium on 11$^3/_4$% Notes and transaction fees and expenses		(59,564)
Change in cash	$	(126,332)

The Company maintains a minimum of approximately $50 million of cash for operating purposes. In the past this has been a sufficient level of cash to meet day to day operating cash requirements. As a result of this offering, the Company expects that its pro forma cash balance as of the anticipated closing date will be more than $50 million.

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

Fees and expenses related to the borrowings from the new senior credit facility	$	3,375
Write-off of the unamortized portion of the deferred financing costs relating to the repayment of existing debt		(27,500)
	$	(24,125)

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

		Non-Current Portion		Current Portion
		(in thousands)		
Redemption of 9$^1/_2$% Notes	$	(110,000)	$	
Tender offer for 11$^3/_4$% Notes		(160,000)		
Replacement of existing senior credit facility		(49,305)		(17,402)
Write-off unamortized discount		4,552		
New senior credit facility		200,000		
Adjustment to long-term debt	$	(114,753)	$	(17,402)

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

	Common shares	Paid in capital	Retained earnings
		(in thousands)	
Adjustments to historical shareholders' equity:			
Issuance of common shares	$ 27	$ 172,543	$
Shareholders' dividend			(109,250)
Redemption premium on 9 1/2% Notes, tender offer premium for 11 3/4% Notes, write-off of deferred financing costs and discount and transaction fees and expenses			(71,811)
Tax effect of redemption premium on 9 1/2% Notes, tender offer premium for 11 3/4% Notes, write-off of deferred financing costs and discount			21,424
Total adjustments to historical shareholders' equity	$ 27	$ 172,543	$ (159,637)

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

(5) *Marketing, distribution and administrative expenses:* Represents an adjustment to reflect the ongoing effect on compensation expense of the acceleration of certain outstanding stock options triggered by the Transactions and an adjustment to reflect compensation expense for options granted in August and September 2004 based on the expected offering price of $14.00.

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
Options acceleration	$ 394	$ (198)
Options granted prior to this offering	410	258
	$ 804	$ 60

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

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

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

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

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
Elimination of historical interest:		
Interest on $9^1/_2$% Notes subject to the proposed redemption	$ (10,450)	$ (7,839)
Interest expense on $11^3/_4$% Notes subject to the proposed tender offer	(20,477)	(14,208)
Interest on the portion of the term loans to be repaid	(5,009)	(2,335)
Amortization of related deferred financing costs and discounts	(5,907)	(4,529)
Interest income on the Company cash used for repayment of debt	2,005	1,319
	$ (39,838)	$ (27,592)
Interest on the new senior credit facility:		
Interest expense on the new senior credit facility	8,500	6,375
Amortization of related deferred financing costs and discounts	563	422
Net interest expense adjustment	$ (30,775)	$ (20,795)

For computing interest expense on the new senior credit facilities, the Company assumed an interest rate based on initial quotes received from its lenders of 4.25% for the term loan facility and 4.75% for the revolving credit facility. The interest rates are based on market rates such as prime rate and LIBOR plus a spread. If the actual interest rate varies by $^1/_8$%, the effect on pretax income for the nine months ended September 30, 2004 and for the year ended December 31, 2003 would be $0.2 million and $0.3 million, respectively.

(8) *Income Taxes:* The following represents the tax effect, using the Company's incremental tax rate, of the adjustments related to the $9^1/_2$% Notes offering. The Company believes that it will not be able to obtain a tax benefit for the interest expense on the $9^1/_2$% Notes. The unaudited pro forma condensed consolidated financial statements do not reflect a tax benefit for such interest expense.

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

(9) *Income Taxes:* The following represents the tax effect, using the Company's incremental tax rate, of the adjustments related to the Transactions. The Company believes that it will not be able to obtain a tax benefit for the interest expense on the $9^1/_2$% Notes or the new senior credit facility. The unaudited pro forma condensed consolidated financial statements do not reflect a tax benefit for such interest expense.

	Year ended December 31, 2003	Nine Months Ended September 30, 2004
	(in thousands)	
	$ 7,585	$ 4,708

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth certain of our historical financial data. We have derived the selected historical consolidated financial data as of December 31, 2002 and 2003 and for the year ended December 31, 2001, the seven month period ended July 31, 2002, the five month period ended December 31, 2002 and the year ended December 31, 2003 from our audited financial statements and the related notes included elsewhere in this prospectus. The selected historical consolidated financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 have been derived from our audited financial statements for such years, which are not included in this prospectus. We have derived the selected historical consolidated financial data for the nine months ended September 30, 2003 and as of and for the nine months ended September 30, 2004 from our unaudited consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated historical financial data set forth below are not necessarily indicative of the results of future operations and should be read in conjunction with the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and accompanying notes included elsewhere in this prospectus. All common share and earnings per share data for the Company gives effect to a 1:2 reverse stock split, which took effect December 1, 2004.

	Predecessor				Company			
	Year Ended December 31,			January 1 to July 31,	August 1 to December 31,	Year Ended December 31,	Nine Months Ended September 30,	Nine Months Ended September 30,
	1999	2000	2001	2002	2002	2003	2003	2004
	(in thousands, except per share amounts)							
Income Statement Data:								
Net sales	$ 1,098,885	$ 1,085,484	$ 1,020,130	$ 644,188	$ 449,524	$ 1,159,433	$ 859,308	$ 968,021
Cost of sales	264,909	268,992	241,522	140,553	95,001	235,785	174,349	198,824
Gross profit	833,976	816,492	778,608	503,635	354,523	923,648	684,959	769,197
Royalty overrides	397,143	382,322	355,225	227,233	159,915	415,351	307,962	342,366
Marketing, distribution and administrative expenses(1)	344,260	363,731	354,608	207,390	135,536	401,261	282,190	315,811
Acquisition transaction expenses(2)		9,498		54,708	6,183			
Operating income(1)	92,573	60,941	68,775	14,304	52,889	107,036	94,807	111,020
Interest income (expense), net	1,750	2,354	3,413	1,364	(23,898)	(41,468)	(31,606)	(55,233)
Income before income taxes and minority interest	94,323	63,295	72,188	15,668	28,991	65,568	63,201	55,787
Income taxes	36,314	25,318	28,875	6,267	14,986	28,721	27,418	32,693
Income before minority interest	58,009	37,977	43,313	9,401	14,005	36,847	35,783	23,094
Minority interest	1,086	1,058	725	189				
Net income	$ 56,923	$ 36,919	$ 42,588	$ 9,212	$ 14,005	$ 36,847	$ 35,783	$ 23,094
Earnings per share								
Basic	$ 1.99	$ 1.28	$ 1.40	$ 0.28	$	$	$	$ 0.44
Diluted	$ 1.86	$ 1.22	$ 1.36	$ 0.27	$ 0.27	$ 0.69	$ 0.67	$ 0.42

	Predecessor				Company			
Weighted average shares outstanding								
Basic	28,603	28,827	30,422	32,387				52,121
Diluted	30,579	30,353	31,250	33,800	51,021	53,446	53,133	55,246

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

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

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

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

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

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

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

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

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

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

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

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

Overview

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

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

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

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

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

Volume Points by Geographic Region

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

Another key non-financial measure we focus on is the number of distributors qualified as supervisors under our compensation system. Distributors qualify for supervisor status based on their Volume Points.

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

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

Number of Supervisors by Geographic Region as of Reporting Period

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

Number of Supervisors by Geographic Region as of Requalification Period

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

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

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

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

The modification in 2004 to the distributor re-qualification criteria was a limited test. This modification allowed distributors who otherwise would have failed to requalify as supervisors to continue to receive the benefit of product discounts, while forfeiting their down-line royalties. We believe this test was successful because the test group generated approximately, 12 million additional Volume Points on an annualized basis, which would represent approximately $9.4 million in net sales, $5.2 million in operating margin and an immaterial impact to marketing, distribution and administrative expenses. As a result of the test, the Company has modified the supervisor re-qualification 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 distributor retention and increased product sales.

We monitor supervisor productivity (product purchases) on-line in real time for management reporting purposes, monthly for supervisor compensation and recognition purposes, annually for supervisor re-qualification purposes and awarding the annual President's Team bonus, and periodically for specific performance-based promotions. Each member of the Chairman's Club and President's Team has on-line real time access via the internet, or by calling the Company, to the amount of product purchases by each individual in his/her specific organization and each member also receives a monthly hard copy of such activity with his/her royalty check. In addition, each member of the Chairman's Club and President's Team receives monthly performance reports highlighting distributors in his/her organization with growing, stable and declining 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 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, weight management program, healthy lifestyle and/or business opportunity; 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 the product and/or pursue the Herbalife business opportunity.

Summary Financial Results

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

Net income for the nine months ended September 30, 2004 was $23.1 million, which was $12.7 million lower than the prior-year same period. The decrease in net income was primarily due to higher interest expense, resulting from the repurchase in the first quarter of 2004 of the $15^{1}/_{2}$% Senior Notes and the interest expense associated with the $9^{1}/_{2}$% Notes, higher promotional expenses and labor costs, partially offset by the 12.6% increase in net sales, the favorable impact of aged royalties and the favorable impact of the appreciation of foreign currencies. Overall, the appreciation of foreign currencies had a $6.6 million favorable impact on net income.

Presentation

As a result of the acquisition of Herbalife International, Inc. ("Herbalife International") on July 31, 2002 by an investment group led by Whitney & Co., LLC ("Whitney") and Golden Gate Private Equity, Inc. ("Golden Gate") (the "Acquisition"), the audited financial statements included elsewhere herein consist of financial information from Herbalife International and its subsidiaries (collectively, our "Predecessor") and Herbalife and its subsidiaries (collectively, the "Successor," "we," "us," "our" or the

"Company"). The results of operations and cash flows of our Predecessor prior to the Acquisition incorporated in the following discussion are the historical results and cash flows of our Predecessor. These results of our Predecessor do not reflect any purchase accounting adjustments, which are included in our results subsequent to the Acquisition. Due to the results of purchase accounting applied as a result of the Acquisition and the additional interest expense associated with the debt incurred to finance the Acquisition, our results of operations may not be comparable in all respects to the results of operations of our Predecessor prior to the Acquisition. However, our management believes a discussion of our 2002 operations is made more meaningful by combining our results with the results of the Predecessor. Accordingly, for the purpose of management's discussion and analysis of financial condition and results of operations, our results of operations, including our segment operations and cash flows for the year ended December 31, 2002, have been derived by combining the results of operations and cash flows of our Predecessor for the period starting January 1, 2002 through July 31, 2002 with the results of operations and cash flows of the Successor for the period starting August 1, 2002 through December 31, 2002. The terms "we," "us," "our" and "Company" refer to our Predecessor before the Acquisition for periods through July 31, 2002 and to the Successor after the Acquisition for periods subsequent to July 31, 2002, or the entire year from January 1, 2002 to December 31, 2002, as the context requires.

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

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

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

- royalty overrides, or commissions, and bonuses, which total approximately 15% and 7%, respectively, of the Retail Sales of weight management, inner nutrition, Outer Nutrition® and promotional products;

- the Mark Hughes Bonus payable to some of our most senior distributors in the aggregate amount of approximately 1% of Retail Sales of weight management, inner nutrition, Outer Nutrition® and promotional products; and

- other discretionary incentive cash bonuses to qualifying distributors.

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

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

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

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

Results of Operations

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

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

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

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

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Region

Nine Months Ended September 30,										
2003					2004					
Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	Retail Sales	Distributor Allowance	Product Sales	Handling & Freight Income	Net Sales	% Change In Net Sales

(in millions)

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

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

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

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 has included and will continue to include generating and maintaining growth within existing markets. We generally expect to continue to spend the current level of marketing, distribution and administrative expenses to maintain or stimulate sales growth, while making strategic investments in new initiatives as discussed in the business strategy section. In addition, new ideas are being generated in our regional markets, either by distributors, country management or corporate management. An example is the Nutrition Clubs in Mexico, 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.

Net sales in The Americas increased $31.4 million, or 10.1%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency, net sales increased by 10.6% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a negative impact of $1.6 million on net sales for the nine months ended September 30, 2004. The increase was a result of net sales growth in Brazil and Mexico of $20.5 million and $14.7 million, or 78.9% and 26.4%, respectively, for the nine months ended

September 30, 2004. These countries continue to benefit from strong country and distributor leadership that focus on recruiting and retention of the distributor force that retails our product, and a product line and business opportunity that is attractive to the demographics in those countries. Continued net sales growth in Brazil is evidenced by an increase in the number of supervisors of 57.8% at September 30, 2004, compared to the same period in 2003, which reflected this renewed emphasis on distributor recruiting and customer retention programs such as those described above locally. This emphasis reflects increased communication and motivation between country management and distributor leadership, as noted above. There are no material incremental costs to the Company for these relationship building efforts as costs for these increased recruiting efforts are generally not material and are usually borne by the distributors.

Continued net sales growth in Mexico is evidenced by an increase in the number of supervisors of 26.8% at September 30, 2004, compared to the same period in 2003, which also reflected a renewed emphasis on distributor and customer retention programs such as those described above locally, as well as the growth in Nutrition Clubs, which are new and innovative means by which distributors are retailing our products to new customers, some of whom may eventually become distributors of our products. We estimate that between 35% and 45% of our net sales in Mexico now come from Nutrition Clubs. The costs to set up a Nutrition Club are generally nominal, and are borne solely by the distributor.

Sales events planned for December of 2004 in both Mexico and Brazil are expected to help continue this positive recruiting and retention, and thus net sales, trend throughout 2004. These events are expected to cost approximately $0.5 million per event and will be recorded as marketing, distribution, and administrative expenses in the fourth quarter. In 2005, these regional extravaganzas will be replaced by the 25th anniversary Atlanta Extravaganza. Management will evaluate the need for smaller regional events to carry the excitement and momentum of the Atlanta Extravaganza to those distributors around the world who are unable to attend.

Growth in Brazil and Mexico was partly offset by a decline in net sales in the U.S. of $9.8 million, or 4.8%, for the nine months ended September 30, 2004, as compared to the same period in 2003. This was evidenced by a 6.0% decrease in the number of supervisors at September 30, 2004 compared to the same period in 2003, with a similar volume point decrease when compared to the prior year same period. This is a continuation of a downward trend in the U.S., although the decrease in 2004 is half the decrease experienced in the same period in 2003. Contributing factors to this continued decline include distraction among senior distributor leadership related to the transition of our new senior management team, strong competition from other direct selling companies and marketing difficulties experienced in early 2004 during the transition to the new *ShapeWorks* product line launched in March 2004. The transition to the new *ShapeWorks* product line in the U.S. cost approximately $4.2 million, which was primarily recorded in marketing, distribution and administrative expenses. Of this, approximately $600,000 was related to several previous versions of the package design, labels and related promotional materials that are not expected to be incurred in future transitions of this product in other regions. When *ShapeWorks* is introduced in regional markets around the world we expect to incur a small fraction of this amount, as detailed in later discussions. We continue to address these issues through renewed communication, cooperation and partnership between senior distributor leadership and our management in the U.S. Through regional "mini-extravaganzas" sales events, the opening of a regional sales center in Dallas and a renewed cooperation and partnership among distributor leadership in the U.S., key markets in the U.S. such as New York, Miami, Houston and Atlanta have improved significantly since 2003. These multiple regional mini-extravaganzas cost approximately $1.7 million in 2004, which was recorded in marketing, distribution and administrative expenses. We expect a similar level of spending in 2005 to help stimulate growth in the U.S. market. Regional sales centers are small, walk up distribution centers that we are opening in key areas of the U.S. where we feel we are underdeveloped. The walk up centers allow distributors to interact with us on a more personal basis and we believe they will assist distributors with their recruiting and retention efforts. To set up the regional sales center in Dallas, we incurred $0.4 million in capital expenditures and we will spend approximately $0.6 million in annual operating expenses. To the extent that Senior Management chooses to continue to expand this model throughout the U.S. based upon a thorough financial review, we would expect a similar level of expenditure for each regional sales center that the Company may open. This evaluation has not yet been completed. Management and senior distributor leadership will continue to focus on other key under-performing U.S. markets, including Los Angeles and Chicago utilizing sales events and promotions along with introducing recruiting, retention and retailing techniques used in Brazil and Mexico.

Net sales in Europe increased $64.5 million, or 19.1%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency net sales increased 9.1% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a positive impact on net sales of $33.9 million for the nine months ended September 30, 2004. Most European markets recorded net sales growth as a result of the Barcelona Extravaganza in July 2004 and an eight-month promotion ending in June 2004 that helped our distributors increase recruiting and retention. We spent $3.9 million, recorded in marketing, distribution and administrative expenses, on this eight month incremental sales promotion, called the "Billion Dollar Challenge." Management will evaluate, based on sales trends during 2005, whether a similar promotion is necessary in 2005. The Barcelona Extravaganza had a net cost of $1.8 million and was recorded in the marketing, distribution and administrative expenses. In 2005, this and other regional extravaganzas will be replaced by the 25th anniversary Atlanta Extravaganza. Management will evaluate the need for smaller regional events to carry the excitement and momentum of the Atlanta Extravaganza to those around the world who are unable to attend.

In part due to the success of the Billion Dollar Challenge, net sales in Turkey were up $10.0 million, or 106.6%, for the nine months ended September 30, 2004, as compared to the same period in 2003, due to increasing acceptance of the direct selling concept in Turkey as well as an energetic distributor leadership group. Net sales in Spain were up $9.5 million, or 69.3%, for the nine months ended September 30, 2004, as compared to the same period in 2003, due to a cohesive, renewed focus by distributor leadership and an increasing emphasis locally on health and nutrition. In Italy, one of our largest European markets, net sales were up $5.0 million, or 10.2%, for the nine months ended September 30, 2004, as compared to the same period in 2003, driven by strong country management and distributor leadership collaboration on recruiting and retention programs. In the Netherlands, another of our larger European markets, net sales were up $7.5 million, or 21.6%, for the nine months ended September 30, 2004, as compared to the same period in 2003, driven by the Corporate/Distributor co-sponsored TV program, "Fitness Challenge", which was successful in attracting large viewer audiences and strong promotion for the Herbalife name. The Company's cost related to the Fitness Challenge was less than $0.1 million, and was recorded in marketing, distribution, and administrative expenses. We are currently reviewing whether to repeat this sponsorship in 2005. In addition, we initiated a new worldwide promotion, "The Atlanta Challenge," at the Barcelona Extravaganza in July, as a means to incent distributors to qualify for our 25th Anniversary Extravaganza in April 2005 in Atlanta. The Atlanta Challenge is a special vacation promotion, separate from, but occurring in connection with, the 2005 25th Anniversary Extravaganza in Atlanta, and is expected to cost approximately $6.5 million. This is not an annual event, but rather is a special event in recognition of the significant milestone that we are reaching in 2005. This is an event that distributors will qualify for during 2004. Accordingly, we are accruing the expenses through the qualification period ending on December 31, 2004, as distributors qualify, in marketing, distribution and administrative expenses. We do not expect a similar promotion in 2005. The 25th Anniversary Atlanta Extravaganza will replace the major regional extravaganzas in 2005, although as noted above, we may still hold smaller regional events to carry the excitement and momentum of the Atlanta Extravaganza. We expect the cost of the Atlanta Extravaganza to be approximately the same as the 2004 regional events that it is replacing.

In the first quarter of 2004, we took over the management of product distribution in Russia and Greece. Prior to this, we used a third party importer to manage and distribute our product to distributors in these countries. We have now opened an administrative office and a company-operated distribution center in these countries to more closely align with our business model in most other countries around the world and improve our earnings slightly. This will allow more direct interaction with our distributors, which we feel will improve communication and ultimately enhance recruiting and retention of distributors in those countries. The cost of the change in business model in these countries was $1.0 million in capital expenditures, $4.4 million in transition costs that we do not expect to incur in the future and $5.9 million in net additional annual operating expenses. The transition costs and operating expenses were recorded in marketing, distribution and administrative expenses.

We expect that fourth quarter sales will continue the positive year over year growth driven by the European introduction of *ShapeWorks* at the Bologna World Team School in November and the Atlanta Challenge promotion, somewhat offset by expected seasonal softness prior to the year-end holidays. The introduction of *ShapeWorks* at the Bologna event is expected to cost approximately $0.4 million, which will be recorded in marketing, distribution, and administrative expenses in the fourth quarter of 2004. The Bologna event cost, net of the *ShapeWorks* launch costs noted previously, is expected to be approximately $0.4 million, which will be recorded in marketing, distribution, and administrative expenses in the fourth quarter of 2004.

Net sales in Asia/Pacific Rim increased $29.0 million, or 24.2%, for the nine months ended September 30, 2004, as compared to the same period in 2003. In local currency, net sales increased 21.2% for the nine months ended September 30, 2004, as compared to the same period in 2003. The fluctuation of foreign currency rates had a $3.6 million positive impact on net sales for the nine months ended September 30, 2004. The increase was attributable mainly to an increase in Taiwan, partly offset by a decrease in South Korea. Net sales in Taiwan increased $19.1 million, or 58.9%, for the nine months ended September 30, 2004, over the same period in 2003, due primarily to an increase in the number of supervisors by 36.2% at September 30, 2004, compared to the same period in 2003, increased local distributor trainings and initiatives to promote individual recognition of well performing distributors, new product launches, positive momentum from the Bangkok Extravaganza held in September and various other regional promotions. The Bangkok Extravaganza had a net cost of $1.7 million and was recorded in marketing, distribution, and administrative expenses. In 2005 this and other regional extravaganzas will be replaced by the 25th anniversary Atlanta Extravaganza. Management will evaluate the need for smaller regional events to carry the excitement and momentum of the Atlanta Extravaganza to those around the world who are unable to attend. Net sales in South Korea decreased $9.1 million, or 26.0%, for the nine months ended September 30, 2004, over the same period in 2003. The rate of net sales decline has decreased in the third quarter, reflecting the success of various distributor focused initiatives which began in late 2003. Additionally, we recently introduced *ShapeWorks* in South Korea, at a cost of less than $0.1 million, which was recorded in marketing, distribution, and administrative expenses, and which we believe will help with recruiting and retailing initiatives of our distributors. Overall, we expect that continued local distributor training and the positive momentum from the Bangkok Extravaganza, along with the launch of "The Atlanta Challenge" in the region, and the launch of new products will contribute to ongoing sales increases in the Asia/Pacific Rim region in the fourth quarter of 2004 and into 2005.

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

Sales by Product Category

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

Our increased emphasis on the science of weight management and nutrition during the past two years, illustrated by our assembly of the Scientific Advisory Board and the Medical Advisory Board, has resulted in numerous product introductions like *Niteworks*™ and *Garden 7*™ and the introduction of *ShapeWorks*™, a personalized meal replacement program. Due to the launch of our *ShapeWorks* product line in March 2004 and the introduction of new personal care products, net sales of weight management products and Outer Nutrition® products increased at a higher rate than net sales of inner nutrition products. The rationalization of our Outer Nutrition® product line in 2002 resulted in an initial decrease in sales, but since then the line has represented approximately 9% of our net sales. The product line today is designed to complement the weight management and Inner Nutrition product lines with products for improving the appearance of the body, skin and hair. Literature, Promotional and Other, which includes product buy-backs and returns in all product categories, increased due to a decrease in returns and refunds. We expect shifts within these categories from time to time as we launch new products.

Gross Profit

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

Royalty Overrides

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

Marketing, Distribution, and Administrative Expenses

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

For the nine months ended September 30, 2004, marketing, distribution and administrative expenses increased $33.6 million to $315.8 million from $282.2 million in the same period in 2003. The increase included $12.5 million in higher salaries and wage expenses, due primarily to normal merit increases, the impact of foreign currency fluctuations, a lower bonus expense in 2003 based on the then anticipated results, and increases related to the strengthening of the senior management team regionally and in the U.S., and we expect to maintain this level of salaries and wages through the fourth quarter; $7.4 million in additional professional fees associated with higher legal and accounting expenses, technology expenses, and higher manufacturing consulting expenses related to the start-up of our facility in China and, to a lesser extent, fees relating to our corporate restructuring; $7.3 million in additional promotional expenses related primarily to the *ShapeWorks* launch, the eight-month European promotion program noted above which ended in June 2004 and expenses related to our 25th anniversary promotion, all of which were detailed in the discussion of net sales by region; $9.0 million in higher non-income taxes due primarily to higher sales in certain jurisdictions; and $2.6 million of expenses relating to the transactions that we consummated in connection with the offering of our 9$^1/_2$% Notes in March 2004 which we do not expect to recur in 2005. The changes discussed above include the unfavorable impact of foreign currency fluctuations on operating expenses of $7.0 million. The increases were partially offset by $9.7 million lower amortization expense of intangibles for the nine months ended September 30, 2004 compared to the same periods in 2003 due to the final allocation in the third quarter of 2003 of the purchase price in connection with the Acquisition. We currently expect our marketing, distribution and administrative expenses for the remainder of 2004 to remain essentially flat with the first nine months of 2004, which would represent approximately a 5% increase for full year 2004 from 2003 levels, due primarily to the timing of certain sales and marketing events, including certain expenses associated with our 25th Anniversary Extravaganza. In anticipation of our potential initial public offering, we recorded a charge in the quarter ended September 30, 2004 for expenses associated with grants of 1.4 million stock options in August and September of 2004, taking into account the difference between the estimated initial public offering price and the option exercise prices over the relevant vesting periods. This charge was not material to the results of operations for the nine months ended September 30, 2004, nor is it expected to be material for any future period.

We have reached an agreement in principle with the Equity Sponsors to terminate the monitoring agreement in exchange for consideration as fully described in "Certain Relationships and Related Transactions Certain Transactions Relating to Herbalife Share purchase agreement." We estimate the fair value of this consideration to be approximately $5.0 million. If the agreement is consummated, we will take a charge of approximately $5.0 million in the fourth quarter of 2004.

We target a product gross profit of approximately 80% of net sales which allows us to economically remit royalties to our distributor organization, pay our vendors for product and cover operating costs associated with product development and licensing, warehousing, distribution and transportation. We generally do not target promotions or advertising at any particular product or brand. Our significant promotions are generally aimed at generating increased levels of recruiting and retention of distributors. An example is the European Billion Dollar Challenge in the first half of 2004. Under this promotion, distributors qualified for various levels of awards, based on the incremental sales volume they achieved. Generally, when a major new product is launched, there will be expenditures related to the roll-out and promotion of such products. Based on the breadth and manner of a product launch, these costs could be material or immaterial. For example, as detailed previously in the net sales discussion, we introduced *ShapeWorks*™ in the United States in 2004 at an extravaganza, at a cost of approximately $3.7 million, net of costs of labelling and packaging revisions prior to introduction. The same product was launched in Europe at the Bologna event (a "mini-extravaganza") at a cost of $0.5 million, and in Korea, not tied to any major event, at a cost of less than $0.1 million. Product or brand advertising is generally handled by our distributors. We spend minimal amounts on product or brand advertising.

Net Interest Expense

Net interest expense was $55.2 million for the nine months ended September 30, 2004, as compared to $31.6 million in the same period in 2003. The higher interest expense for the nine-month period was primarily due to the premium of $15.4 million associated with the repurchase of our 15$^1/_2$% Senior Notes and the net additional interest expense of $8.2 million associated with our higher debt levels as a result of the addition of $275.0 million principal amount of our 9$^1/_2$% Notes issued in March 2004.

Income Taxes

Income taxes were $32.7 million for the nine months ended September 30, 2004, as compared to $27.4 million in the same period in 2003. As a percentage of pre-tax income, the estimated effective income tax rate was 58.6% for the nine months ended September 30, 2004, as compared to 43.4% in the same period in 2003. The increase in the effective tax rate for the nine months ended September 30, 2004 as compared to the same period in 2003 was caused primarily by the non-deductible premium related to the repurchase of our 15$^1/_2$% Senior Notes and the non-deductible interest expense associated with the 9$^1/_2$% Notes.

Foreign Currency Fluctuations

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

Net Income

Net income for the nine months ended September 30, 2004 was $23.1 million, which was $12.7 million lower than the prior-year same period. The decrease in net income was primarily due to higher interest expense resulting from the repurchase of the 15$^1/_2$% Senior Notes and the interest expense associated with the 9$^1/_2$% Notes, higher promotional expenses and labor costs, partially offset by increased net sales in all geographic regions except for Japan and the favorable impact of the appreciation of foreign currencies. Overall, the appreciation of foreign currencies had a $6.6 million favorable impact on net income.

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

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

	Predecessor	Company	Combined	Company
Net income	$ 9.2	$ 14.0	$ 23.2	$ 36.8

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

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

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Regions

Year Ended December 31,

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

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

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

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

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

Sales by Product Category

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

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

Gross Profit

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

Royalty Overrides

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

Marketing, Distribution and Administrative Expenses

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

subsequent to the Acquisition. Lower salaries and wages expense partly offset the increased expense reflecting efficiencies realized from various cost savings initiatives.

Acquisition Transaction Expenses

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

Net Interest Expense

Net interest expense was $41.5 million for the year ended December 31, 2003 as compared to $22.5 million in the prior year. The increase was mainly due to a full year's interest expense relating to the term loan, the 11$^3/_4$% Notes and the 15.5% senior notes in 2003, as compared to only five months of interest expense for those same items in 2002.

Income Taxes

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

Foreign Currency Fluctuations

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

Net Income

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

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

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

Net Sales

The following chart reconciles Retail Sales to net sales:

Sales by Geographic Region

Year Ended December 31,

	2001					2002					
	Retail Sales	**Distributor Allowance**	**Product Sales**	**Handling & Freight Income**	**Net Sales**	**Retail Sales**	**Distributor Allowance**	**Product Sales**	**Handling & Freight Income**	**Net Sales**	**Change in Net Sales**
	(in millions)										
Americas	$ 620.2	$ (291.9)	$ 328.3	$ 58.6	$ 386.9	$ 683.1	$ (324.7)	$ 358.4	$ 65.9	$ 424.3	9.7%
Europe	459.5	(216.1)	243.4	39.8	283.2	560.3	(266.3)	294.0	48.7	342.7	21.0

	Year Ended December 31,										
Asia/Pacific Rim	271.9	(118.9)	153.0	19.0	172.0	294.7	(130.0)	164.7	20.8	185.5	7.8
Japan	304.6	(147.6)	157.0	21.0	178.0	241.1	(117.1)	124.0	17.2	141.2	(20.7)
Total	$ 1,656.2	$ (774.5)	$ 881.7	$ 138.4	$ 1,020.1	$ 1,779.2	$ (838.1)	$ 941.1	$ 152.6	$ 1,093.7	7.2%

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

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

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

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

Sales by Product Category

Year Ended December 31,

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

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

Gross Profit

Gross profit was $858.2 million for the year ended December 31, 2002 compared to $778.6 million in the prior year. As a percentage of net sales, gross profit for the year ended December 31, 2002 increased from 76.3% to 78.5% as compared to the prior year. The increase in gross profit reflected the realization of $5.7 million of product cost savings attributable to new supply contracts initiated in 2001, savings of $3.5 million in freight and duty expenses and a $6.1 million reduction in the inventory provision for slow moving and anticipated obsolescence when comparing 2002 to 2001.

Royalty Overrides

Royalty Overrides as a percentage of net sales were 35.4% for the year ended December 31, 2002 as compared to 34.8% in