

STATEMENT OF AVERAGE GROSS COMPENSATION PAID BY HERBALIFE TO UNITED STATES DISTRIBUTORS IN 2012

People become Herbalife Distributors for a number of reasons. The majority (73%)⁽¹⁾ primarily join us to receive a wholesale price on products they and their families enjoy. Some wish to earn part-time money, wanting to give direct sales a try and are encouraged by Herbalife's low start-up costs (at their option, a mini-International Business Pack (IBP) at \$59 or full IBP at \$109) and money-back guarantee⁽²⁾. Others are drawn to Herbalife because they can be their own boss and can earn rewards based on their own skills and hard work.

Whatever the motivation, an Herbalife Distributorship is something like a gym membership: results vary with the time, energy and dedication you put into it. Anyone considering an active Distributorship needs to understand the realities of direct selling. It is hard work. There is no shortcut to riches, no guarantee of success. However, for those who devote the time and energy to develop a stable base of customers and then mentor and train others to do the same, the opportunity for personal growth and an attractive part- or full-time income exists. Moreover, unlike other businesses, there are minimal start-up costs in beginning your Herbalife Distributorship. There is no need for a Distributor to spend significant amounts of money on sales aids or other materials. In fact, Herbalife's corporate policy discourages the use of such sales aids, especially in the first few months of a Distributorship.

The majority of Herbalife's independent Distributors (71%) have not sponsored another Distributor and are therefore "single-level" Distributors. Single-level Distributors benefit from buying Herbalife products at a preferred price for their consumption and that of their families, and for many this is the only benefit they seek. Some may also be retailing products for a profit and this profit is not included in any of the compensation figures below.

Some Distributors (29%) have decided to sponsor others to become Herbalife Distributors. In that way, they may seek to build and maintain their own downline sales organizations. They are not paid anything for sponsoring new Distributors. They are paid solely based on product sales to their downline Distributors for their own consumption or for retail to others. This multi-level compensation opportunity is detailed in Herbalife's Sales & Marketing Plan, which is available to all Distributors on line at www.myherbalife.com.

For potential Distributors to make an informed decision, we offer the following chart to show the different ranges of average gross compensation that Herbalife pays to its Distributors. The figures below do not include any retail / wholesale profit that a Distributor makes from selling Herbalife's products to others nor do these figures include expenses incurred by a Distributor in the operation or promotion of his or her business. Such business expenses can vary widely. They might include advertising or promotional expenses, product samples, training, rent, travel, telephone and internet costs, and miscellaneous expenses. The compensation received by the Distributors in this chart is not necessarily representative of the gross compensation, if any, that any particular Distributor will receive. These figures should not be considered as guarantees or projections of your actual gross compensation or profits. Success with Herbalife results only from successful product sales efforts, which require hard work, diligence and leadership. Your success will depend upon how effectively you exercise these qualities.

(1) Based on a Distributor research survey conducted by Lieberman Research Worldwide, January 2013, with a margin of error of +/- 3.7%.

(2) 90 days on the return of the IBP and one year on the return of resalable inventory, upon leaving the business.

The compensation chart below indicates that 434,125 Distributors (88%) received no payments from Herbalife during 2012. However, this chart does not include amounts earned by Distributors on their sales of Herbalife products to others.

Additionally, this chart does not include the benefit to Distributors buying Herbalife products at a preferred price for their consumption and that of their families. Based on the company's survey, 73%⁽¹⁾ of individuals became Distributors primarily for this benefit.

Single-Level Distributors (No Downline)							
Economic Opportunity	Distributors*		The economic rewards for single-level Distributors are the wholesale pricing received on products for consumption by the Distributor and his or her family as well as the opportunity to retail product to non-Distributors. Neither of these rewards are payments made by the company and therefore are excluded from this schedule				
	Number	%					
<ul style="list-style-type: none"> Wholesale price on product purchases Retail profit on sales to non-Distributors 	351,065	71%					
Non-Sales Leaders** With a Downline							
Economic Opportunity	Distributors		In addition to the economic rewards of the single-level Distributors above, which are not included in this chart, certain non-sales leaders with a downline may be eligible for payments from Herbalife on downline product purchases made directly with Herbalife. 2,466 of the 4,449 eligible Distributors earned such payments in 2012. The average total payments to the 2,466 Distributors was \$104.				
	Number	%					
<ul style="list-style-type: none"> Wholesale price on product purchases Retail profit on sales to non-Distributors Wholesale profit on sales to another Distributor 	60,333	12%					
Sales Leaders** With a Downline							
Economic Opportunity	Distributors		Average Payments from Herbalife	All Sales Leaders with a Downline		This chart does not include amounts earned by Distributors on their sales of Herbalife products to others	
	Number	%		Number of Distributors	% of Total Grouping		Average Gross Payments
<ul style="list-style-type: none"> Wholesale price on product purchases Retail profit on sales to non-Distributors Wholesale profit on sales to another Distributor Multi-level compensation on downline sales <ul style="list-style-type: none"> Royalties Bonuses 	82,464	17%	>\$250,000	194	0.2%		\$724,030
			\$100,001-\$250,000	452	0.5%		\$148,808
			\$50,001-\$100,000	539	0.7%		\$68,912
			\$25,001-\$50,000	1,136	1.4%		\$35,581
			\$10,001-\$25,000	1,940	2.4%		\$15,538
			\$5,001-\$10,000	2,552	3.1%		\$7,008
			\$1,001-\$5,000	11,307	13.7%		\$2,216
			\$1-\$1,000	39,151	47.5%		\$292
			0	25,193	30.6%	\$0	
			Total	82,464	100.0%	\$4,485	
<p>* 30,621 of the 351,065 single-level Distributors are sales leaders without a downline</p> <p>** Sales leaders are Distributors that achieved the level of Supervisor or higher. See details on Herbalife's marketing plan at www.myherbalife.com.</p>							

51.0% of all sales leaders as of February 1st, 2011, requalified by February 1st, 2012 (including 33.5% of first time sales leaders)

The majority of those Distributors who earned in excess of \$100,000 in 2012 had reached the level of Herbalife's President's Team. During 2012, 47 U.S. Distributors joined the level of President's Team. They averaged 9 years as an Herbalife Distributor before reaching President's Team, with the longest being 20 years and the shortest being less than three years.

(1) Based on a Distributor research survey conducted by Lieberman Research Worldwide, January 2013, with a margin of error of +/- 3.7%.