# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2018**

**OR**

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

**For the transition period from__________ to __________**

**Commission file number: 1-32381**

# HERBALIFE NUTRITION LTD.

*(Exact name of registrant as specified in its charter)*

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

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

**(213) 745-0500**
*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of registrant's common shares outstanding as of April 26, 2018 was 88,211,640.

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## PART I. FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

### HERBALIFE NUTRITION LTD. AND SUBSIDIARIES
### CONDENSED CONSOLIDATED BALANCE SHEETS
### (Unaudited)

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | *(in millions, except share and par value amounts)* | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,330.2 | $ 1,278.8 |
| Receivables, net of allowance for doubtful accounts | 103.3 | 93.3 |
| Inventories | 333.0 | 341.2 |
| Prepaid expenses and other current assets | 184.6 | 147.0 |
| Total current assets | 1,951.1 | 1,860.3 |
| Property, plant, and equipment, at cost, net of accumulated depreciation and amortization | 369.2 | 377.5 |
| Marketing-related intangibles and other intangible assets, net | 310.1 | 310.1 |
| Goodwill | 98.6 | 96.9 |
| Other assets | 239.7 | 250.3 |
| Total assets | $ 2,968.7 | $ 2,895.1 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 80.2 | $ 67.8 |
| Royalty overrides | 264.7 | 277.7 |
| Current portion of long-term debt | 102.3 | 102.4 |
| Other current liabilities | 463.7 | 458.9 |
| Total current liabilities | 910.9 | 906.8 |
| Long-term debt, net of current portion | 2,109.1 | 2,165.7 |
| Other non-current liabilities | 167.7 | 157.3 |
| Total liabilities | 3,187.7 | 3,229.8 |
| Commitments and contingencies | | |
| Shareholders' deficit: | | |
| Common shares, $0.001 par value; 1.0 billion shares authorized; 83.1 million (2018) and 82.3 million (2017) shares outstanding | 0.1 | 0.1 |
| Paid-in capital in excess of par value | 425.4 | 407.3 |
| Accumulated other comprehensive loss | (147.3 ) | (165.4 ) |
| Accumulated deficit | (168.3 ) | (248.1 ) |
| Treasury stock, at cost, 5.0 million (2018) and 5.0 million (2017) shares | (328.9 ) | (328.6 ) |
| Total shareholders' deficit | (219.0 ) | (334.7 ) |
| Total liabilities and shareholders' deficit | $ 2,968.7 | $ 2,895.1 |

See the accompanying notes to unaudited condensed consolidated financial statements.

**HERBALIFE NUTRITION LTD. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | *(in millions, except per share amounts)* | |
| Net sales | $ 1,176.9 | $ 1,102.1 |
| Cost of sales | 239.9 | 204.6 |
| Gross profit | 937.0 | 897.5 |
| Royalty overrides | 337.3 | 315.1 |
| Selling, general, and administrative expenses | 460.1 | 438.6 |
| Other operating income | (16.2) | — |
| Operating income | 155.8 | 143.8 |
| Interest expense, net | 39.9 | 30.2 |
| Other expense, net | 24.4 | — |
| Income before income taxes | 91.5 | 113.6 |
| Income taxes | 9.4 | 28.4 |
| Net income | $ 82.1 | $ 85.2 |
| Earnings per share: | | |
| Basic | $ 1.13 | $ 1.03 |
| Diluted | $ 1.08 | $ 0.98 |
| Weighted-average shares outstanding: | | |
| Basic | 72.7 | 83.1 |
| Diluted | 76.3 | 86.7 |

See the accompanying notes to unaudited condensed consolidated financial statements.

**HERBALIFE NUTRITION LTD. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | (in millions) | |
| Net income | $ 82.1 | $ 85.2 |
| Other comprehensive income: | | |
| Foreign currency translation adjustment, net of income taxes of $1.1 and $2.6 for the three months ended March 31, 2018 and 2017, respectively | 21.2 | 23.0 |
| Unrealized loss on derivatives, net of income taxes of $— for both the three months ended March 31, 2018 and 2017 | (3.1 ) | (7.5 ) |
| Total other comprehensive income | 18.1 | 15.5 |
| Total comprehensive income | $ 100.2 | $ 100.7 |

See the accompanying notes to unaudited condensed consolidated financial statements.

**HERBALIFE NUTRITION LTD. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | (in millions) | |
| Cash flows from operating activities: | | |
| Net income | $ 82.1 | $ 85.2 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 25.6 | 24.5 |
| Share-based compensation expenses | 9.8 | 11.3 |
| Non-cash interest expense | 15.7 | 14.4 |
| Deferred income taxes | 3.3 | (3.2 ) |
| Inventory write-downs | 12.1 | 4.6 |
| Foreign exchange transaction loss (gain) | 0.5 | (0.4 ) |
| Other | 25.5 | (1.0 ) |
| Changes in operating assets and liabilities: | | |
| Receivables | (16.1 ) | (27.9 ) |
| Inventories | 8.4 | 7.3 |
| Prepaid expenses and other current assets | (11.9 ) | 25.1 |
| Accounts payable | 16.4 | 5.0 |
| Royalty overrides | (12.6 ) | (18.8 ) |
| Other current liabilities | (3.7 ) | 44.6 |
| Other | 1.1 | 4.8 |
| Net cash provided by operating activities | 156.2 | 175.5 |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment | (15.6 ) | (24.5 ) |
| Other | — | 0.1 |
| Net cash used in investing activities | (15.6 ) | (24.4 ) |
| Cash flows from financing activities: | | |
| Borrowings from senior secured credit facility, net of discount | — | 1,274.0 |
| Principal payments on senior secured credit facility and other debt | (24.5 ) | (413.4 ) |
| Proceeds from senior convertible notes | 550.0 | — |
| Repurchase of senior convertible notes | (582.5 ) | — |
| Debt issuance costs | (11.7 ) | (22.6 ) |
| Share repurchases | (54.2 ) | (58.1 ) |
| Proceeds from settlement of capped call transactions | 27.1 | — |
| Other | 0.6 | 0.6 |
| Net cash (used in) provided by financing activities | (95.2 ) | 780.5 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 6.1 | 9.1 |
| Net change in cash, cash equivalents, and restricted cash | 51.5 | 940.7 |
| Cash, cash equivalents, and restricted cash, beginning of period | 1,295.5 | 857.0 |
| Cash, cash equivalents, and restricted cash, end of period | $ 1,347.0 | $ 1,797.7 |

See the accompanying notes to unaudited condensed consolidated financial statements.

## 1. Organization

Herbalife Nutrition Ltd. (formerly Herbalife Ltd.), a Cayman Islands exempted company with limited liability, was incorporated on April 4, 2002. On April 24, 2018, the Company officially changed its name from Herbalife Ltd. to Herbalife Nutrition Ltd. Herbalife Nutrition Ltd. (and together with its subsidiaries, the "Company" or "Herbalife") is a global nutrition company that sells weight management; targeted nutrition; energy, sports, & fitness; and outer nutrition products to and through a network of independent members, or Members. In China, the Company sells its products to and through independent service providers, sales representatives, and sales officers to customers and preferred customers, as well as through Company-operated retail stores when necessary. The Company sells its products in six geographic regions: North America; Mexico; South and Central America; EMEA, which consists of Europe, the Middle East, and Africa; Asia Pacific (excluding China); and China.

## 2. Significant Accounting Policies

*Basis of Presentation*

The unaudited condensed consolidated interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission's, or the SEC, Regulation S-X. Accordingly, as permitted by Article 10 of the SEC's Regulation S-X, it does not include all of the information required by generally accepted accounting principles in the U.S., or U.S. GAAP, for complete financial statements. The condensed consolidated balance sheet as of December 31, 2017 was derived from the audited financial statements at that date and does not include all the disclosures required by U.S. GAAP, as permitted by Article 10 of the SEC's Regulation S-X. The Company's unaudited condensed consolidated financial statements as of March 31, 2018, and for the three months ended March 31, 2018 and 2017, include Herbalife Nutrition Ltd. and all of its direct and indirect subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's unaudited condensed consolidated financial statements as of March 31, 2018, and for the three months ended March 31, 2018 and 2017. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2017, or the 2017 10-K. Operating results for the three months ended March 31, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

*Recently Adopted Pronouncements*

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new revenue recognition standard provides a five-step analysis of contracts to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB deferred the effective date of ASU No. 2014-09 for all entities by one year to annual reporting periods beginning after December 15, 2017. The FASB has issued several updates subsequently, including implementation guidance on principal versus agent considerations, on how an entity should account for licensing arrangements with customers, and to improve guidance on assessing collectability, presentation of sales taxes, noncash consideration, and contract modifications and completed contracts at transition. The amendments in this series of updates shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company adopted Topic 606, *Revenue from Contracts with Customers*, with a date of initial application of January 1, 2018 using the modified retrospective method applied to all contracts existing as of January 1, 2018. Results for reporting periods beginning January 1, 2018 and thereafter are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with Topic 605. The Company recorded a net reduction of $2.3 million to beginning retained earnings as of January 1, 2018 due to the cumulative impact of adopting Topic 606 resulting from revenue recognition timing differences related to the transfer of control of products sold through certain of the Company's third-party importers which are not material. The cumulative impact to opening balance sheet accounts was not material. Additionally, certain third-party importer fees have changed classification from a reduction to revenue to selling, general, and administrative expense under Topic 606. For more information on the transitional impact of adopting Topic 606, see the section entitled "Revenue Recognition" below.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance enhances the reporting model for financial instruments by modifying how entities measure and recognize equity investments and present changes in the fair value of financial liabilities, and by simplifying the disclosure guidance for financial instruments. The adoption of this guidance during the first quarter of 2018 did not have a material impact on the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-04, *Liabilities — Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products*. This ASU requires entities that sell prepaid stored-value products redeemable for goods, services or cash at third-party merchants to recognize breakage (i.e. the value that is ultimately not redeemed by the consumer) in a way that is consistent with how it will be recognized under the new revenue recognition standard. Under current U.S. GAAP, there is diversity in practice in how entities account for breakage that results when a consumer does not redeem the entire product balance. This ASU clarifies that an entity's liability for prepaid stored-value products within its scope meets the definition of a financial liability. The adoption of this guidance during the first quarter of 2018 did not have a material impact on the Company's condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU provides clarification on eight specific cash flow issues regarding presentation and classification in the statement of cash flows with the objective of reducing the existing diversity in practice. The adoption of this guidance during the first quarter of 2018 did not have a material impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this update do not change U.S. GAAP for the pre-tax effects of an intra-entity asset transfer under Topic 810, *Consolidation*, or for an intra-entity transfer of inventory. The adoption of this guidance during the first quarter of 2018 did not have a material impact on the Company's condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flows. The adoption of this guidance during the first quarter of 2018 resulted in a change in the presentation of restricted cash and restricted cash equivalents in the Company's condensed consolidated statements of cash flows for all periods presented. Other than this change, the adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting*. This ASU provides additional guidance for when a company should apply modification accounting when there is a change in either the terms or conditions of a share-based payment award. Specifically, a company should not apply modification accounting if the fair value, vesting conditions, and classification of the award remains the same immediately before and after the modification. The adoption of this guidance during the first quarter of 2018 did not have a material impact on the Company's condensed consolidated financial statements.

*New Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and subsequently issued additional updates to Topic 842. The updated guidance requires lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. As currently issued, the update requires entities to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is evaluating the potential impact of this adoption on its condensed consolidated financial statements. The adoption of this guidance is expected to increase both assets and liabilities.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instrument — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU changes the impairment model for most financial assets, requiring the use of an expected loss model which requires entities to estimate the lifetime expected credit loss on financial assets measured at amortized cost. Such credit losses will be recorded as an allowance to offset the amortized cost of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. In addition, credit losses relating to available-for-sale debt securities will now be recorded through an allowance for credit losses rather than as a direct write-down to the security. The amendments in this update are effective for reporting periods beginning after December 15, 2019, with early adoption permitted for reporting periods beginning after December 15, 2018. The Company is evaluating the potential impact of this adoption on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* This ASU simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Companies will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value not to exceed the total amount of goodwill allocated to that reporting unit.An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this update are effective for goodwill impairment tests in fiscal years beginning afterDecember 15, 2019, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The Company is evaluating the potential impact of this adoption on itscondensed consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. This ASU improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and makes certain targeted improvements to simplify the application of existing hedge accounting guidance. The amendments in this update are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the potential impact of this adoption on itscondensed consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement — Reporting Comprehensive Income (Topic 220)*. This ASU allows a reclassification from accumulated other comprehensive income to retained earnings for tax effects of items within accumulated other comprehensive income, or stranded tax effects, resulting from the Tax Cuts and Jobs Act and requires certain disclosures about those stranded tax effects. The amendments in this update are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the potential impact of this adoption on its condensed consolidated financial statements.

*Revenue Recognition*

As a result of applying Topic 606, the impact to the Company's condensed consolidated balance sheet as of March 31, 2018 was as follows:

| | March 31, 2018 | | |
|---|---|---|---|
| | **As reported** | **Impact due to ASC 606** | **Without adoption** |
| | *(in millions)* | | |
| Assets: | | | |
| Receivables, net of allowance for doubtful accounts | $ 103.3 | $ 4.8 | $ 108.1 |
| Inventories | 333.0 | (0.9 ) | 332.1 |
| Total assets | 2,968.7 | 3.9 | 2,972.6 |
| Liabilities: | | | |
| Royalty overrides | 264.7 | 2.3 | 267.0 |
| Total liabilities | 3,187.7 | 2.3 | 3,190.0 |
| Shareholders' deficit: | | | |
| Accumulated deficit | (168.3 ) | 1.6 | (166.7 ) |
| Total shareholders' deficit | (219.0 ) | 1.6 | (217.4 ) |
| Total liabilities and shareholders' deficit | 2,968.7 | 3.9 | 2,972.6 |

As a result of applying Topic 606, the impact to the Company's condensed consolidated statement of income for the three months ended March 31, 2018 was as follows:

| | March 31, 2018 | | |
|---|---|---|---|
| | **As reported** | **Impact due to ASC 606** | **Without adoption** |
| | | *(in millions)* | |
| Net sales | $ 1,176.9 | $ (8.0) | $ 1,168.9 |
| Cost of sales | 239.9 | (0.5) | 239.4 |
| Gross profit | 937.0 | (7.5) | 929.5 |
| Royalty overrides | 337.3 | (1.2) | 336.1 |
| Selling, general, and administrative expenses | 460.1 | (5.6) | 454.5 |
| Other operating income | (16.2) | — | (16.2) |
| Operating income | 155.8 | (0.7) | 155.1 |
| Interest expense, net | 39.9 | — | 39.9 |
| Other expense, net | 24.4 | — | 24.4 |
| Income before income taxes | 91.5 | (0.7) | 90.8 |
| Income taxes | 9.4 | (0.1) | 9.3 |
| Net income | $ 82.1 | $ (0.6) | $ 81.5 |

As a result of applying Topic 606, the impact to the Company's condensed consolidated statement of cash flows for the three months ended March 31, 2018 was not material.

In general, the Company's performance obligation is to transfer its products to its Members. The Company generally recognizes revenue when product is delivered to its Members. For China independent service providers, and for third-party importers utilized in certain other countries where sales historically have not been material, the Company recognizes revenue based on the Company's estimate of when the service provider or third-party importer sells the products because the Company is deemed to be the principal party of these product sales under Topic 606 due to the additional selling and operating requirements relating to pricing of products, conducting business with physical locations, and other selling and marketing activities required of the service providers and third-party importers; this timing difference relating to the Company recognizing revenues when these third-party entities sell the products compared to when the Company delivers the products to them did not have a material impact to the Company's consolidated net sales for the periods presented.

The Company's Members, excluding its China independent service providers, may receive distributor allowances, which are comprised of discounts, rebates and wholesale commission payments from the Company. Distributor allowances resulting from the Company's sales of its products to its Members are recorded against net sales because the distributor allowances represent discounts from the suggested retail price.

The Company compensates its sales leader Members with royalty overrides for services rendered, relating to the development, retention, and management of their sales organizations. Royalty overrides are payable based on achieved sales volume. Royalty overrides are classified as an operating expense reflecting the services provided to the Company. The Company compensates its China independent service providers and third-party importers utilized in certain other countries for providing marketing, selling, and customer support services. Under Topic 606, as the Company is the principal party of the product sales as described above, the service fees payable to China independent service providers and the compensation received by third-party importers for the services they provide are recorded within Selling, general & administrative expenses. For the periods presented under Topic 605, the service fees payable to its China independent service providers are similarly recognized within Selling, general & administrative expenses as they are under Topic 606. However, under Topic 605, the compensation received by third-party importers for the services they provide, which represents the discount provided to them, is recorded as a reduction to net sales, which differs from the treatment under Topic 606 as described above. This change in the accounting treatment under Topic 606 of the compensation for services provided by the Company's third-party importers did not impact the Company's consolidated net income and was not material to the Company's consolidated net sales for the periods presented.

The Company recognizes revenue when it delivers products to its United States Members; distributor allowances, inclusive of discounts and wholesale commissions, are recorded as a reduction to net sales; and royalty overrides are classified as an operating expense.

Shipping and handling services relating to product sales are recognized as fulfillment activities on the Company's performance obligation to transfer products and are therefore recorded within net sales as part of product sales and are not considered as separate revenues under Topic 606. Shipping and handling costs paid by the Company are included in cost of sales.

The Company presents sales taxes collected from customers on a net basis.

The Company generally receives the net sales price in cash or through credit card payments at the point of sale. Accounts receivable consist principally of credit card receivables arising from the sale of products to the Company's Members, and its collection risk is reduced due to geographic dispersion. Credit card receivables were \$80.7 million and \$68.1 million as of March 31, 2018 and December 31, 2017, respectively. Substantially all credit card receivables were current as of March 31, 2018 and December 31, 2017. During the three months ended March 31, 2018 and 2017, the Company recorded \$0.1 million and \$0.2 million, respectively, in bad-debt expense related to allowances for the Company's receivables. As of both March 31, 2018 and December 31, 2017, the Company's allowance for doubtful accounts was \$1.2 million. As of March 31, 2018 and December 31, 2017, the majority of the Company's total outstanding accounts receivable were current.

The Company records advance sales deposits when payment is received but revenue has not yet been recognized. In the majority of the Company's markets, advance sales deposits are generally recorded to income when the product is delivered to its Members. Additionally, advance sales deposits also include deferred revenues due to the timing of revenue recognition for products sold through China independent service providers. The estimated deferral period for advance sales deposits is generally within one week. During the three months ended March 31, 2018, the Company recognized substantially all of the revenues that were included within advance sales deposits as of December 31, 2017 and any remaining such balance was not material as of March 31, 2018. Advance sales deposits are included in Other current liabilities on the Company's condensed consolidated balance sheets. See Note 13, *Detail of Certain Balance Sheet Accounts*, for further information.

In general, if a Member returns product to the Company on a timely basis, they may obtain replacement product from the Company for such returned products. In addition, in general the Company maintains a buyback program pursuant to which it will repurchase products sold to a Member who has decided to leave the business. Allowances for product returns, primarily in connection with the Company's buyback program, are provided at the time the sale is recorded. This accrual is based upon historical return rates for each country and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Allowances for product returns were \$4.2 million and \$3.9 million as of March 31, 2018 and December 31, 2017, respectively.

The Company's products are grouped in five principal categories: weight management; targeted nutrition; energy, sports & fitness; outer nutrition; and literature and promotional items. However, the effect of economic factors on the nature, amount, timing, and uncertainty of revenue recognition and cash flows are similar among all five product categories. The Company defines its operating segments through six geographic regions. The effect of economic factors on the nature, amount, timing, and uncertainty of revenue recognition and cash flows are similar among the regions with the Company's Primary Reporting Segment. See Note 6, *Segment Information*, for further information on the Company's reportable segments and the Company's presentation of disaggregated revenue by reportable segment.

*Distributor Compensation – U.S.*

In the U.S., distributor compensation, including Royalty overrides, is capped if the Company does not meet an annual requirement as described in the consent order discussed in more detail in Note 5, *Contingencies*. On a periodic basis, the Company evaluates if this requirement will be achieved by year end to determine if a cap on distributor compensation will be required, and then determines the appropriate amount of distributor compensation expense, which may vary in each reporting period. As of March 31, 2018, the Company believes that the cap to distributor compensation will not be applicable for the current year.

*Other Operating Income*

To encourage local investment and operations, governments in various China provinces conduct grant programs. The Company applied for and received several such grants in China. Government grants are recorded into income when a legal right to the grant exists, there is a reasonable assurance that the grant proceeds will be received, and the substantive conditions under which the grants were provided have been met. During the three months ended March 31, 2018, the Company recognized government grant income of approximately \$16.2 million in other operating income within its condensed consolidated statements of income, related to its regional headquarters and distribution centers within China. During the three months ended March 31, 2017, the Company did not recognize any government grant income related to its regional headquarters and distribution centers within China. The Company intends to continue applying for government grants in China when programs are available; however, there is no assurance that the Company will receive grants in future periods.

*Other Expense, Net*

During the three months ended March 31, 2018, the Company recognized a $11.3 million loss on the revaluation of the non-transferable contractual contingent value right, or CVR, provided for each share tendered in the October 2017 modified Dutch auction tender offer (See Note 10, *Shareholders' Deficit*, for further information on the CVR); and a $13.1 million loss on extinguishment of $475.0 million aggregate principal amount of the Company's convertible senior notes due 2019 (See Note 4, *Long-Term Debt*) in other expense, net within its condensed consolidated statements of income. During the three months ended March 31, 2017, the Company did not recognize any other expense, net.

*Restricted Cash*

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Company's condensed consolidated balance sheets that sum to the total of the same such amounts shown in the Company's condensed consolidated statements of cash flows:

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | *(in millions)* | |
| Cash and cash equivalents | $ 1,330.2 | $ 1,278.8 |
| Restricted cash included in Prepaid expenses and other current assets | 3.9 | 4.0 |
| Restricted cash included in Other assets | 12.9 | 12.7 |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | $ 1,347.0 | $ 1,295.5 |

The majority of the Company's consolidated restricted cash is held by certain of its foreign entities and consists of cash deposits that are required due to the business operating requirements in those jurisdictions.

**3. Inventories**

Inventories consist primarily of finished goods available for resale. Inventories are stated at lower of cost (primarily on the first-in, first-out basis) and net realizable value.

The following are the major classes of inventory:

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | *(in millions)* | |
| Raw materials | $ 45.3 | $ 44.2 |
| Work in process | 6.7 | 4.8 |
| Finished goods | 281.0 | 292.2 |
| Total | $ 333.0 | $ 341.2 |

**4. Long-Term Debt**

Long-term debt consists of the following:

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (in millions) | |
| Borrowings under senior secured credit facility, carrying value | $ 1,167.7 | $ 1,190.2 |
| 2.000% convertible senior notes due 2019, carrying value of liability component | 635.0 | 1,070.0 |
| 2.625% convertible senior notes due 2024, carrying value of liability component | 401.0 | — |
| Other | 7.7 | 7.9 |
| Total | 2,211.4 | 2,268.1 |
| Less: current portion | 102.3 | 102.4 |
| Long-term portion | $ 2,109.1 | $ 2,165.7 |

*Senior Secured Credit Facility*

On May 4, 2015, the Company amended its prior senior secured credit facility, or the Prior Credit Facility, to extend the maturity date of its revolving credit facility, or the Prior Revolving Credit Facility, by one year to March 9, 2017. Pursuant to this amendment and upon execution, the Company made prepayments of approximately $20.3 million and $50.9 million on its $500.0 million term loan under the Prior Credit Facility, or the Prior Term Loan, and the Prior Revolving Credit Facility, respectively. Additionally, the Company's $700.0 million borrowing capacity on its Prior Revolving Credit Facility was reduced by approximately $235.9 million upon execution of this amendment, and was further reduced by approximately $39.1 million on September 30, 2015, bringing the total available borrowing capacity to $425.0 million. The Prior Term Loan matured on March 9, 2016 and was repaid in full. Prior to March 9, 2016, the interest rates on the Company's borrowings under the Prior Credit Facility remained effectively unchanged except that the minimum applicable margin was increased by 0.50% and LIBOR was subject to a minimum floor of 0.25%. After March 9, 2016, the applicable interest rates on the Company's borrowings under the Prior Credit Facility increased by 2.00% such that borrowings under the Prior Credit Facility began bearing interest at either LIBOR plus the applicable margin between 4.00% and 5.00% or the base rate plus the applicable margin between 3.00% and 4.00%, based on the Company's consolidated leverage ratio. The Company incurred approximately $6.2 million of debt issuance costs in connection with the amendment. These debt issuance costs were recorded on the Company's condensed consolidated balance sheet and were amortized over the life of the Prior Revolving Credit Facility.

On February 15, 2017, the Company entered into a new $1,450.0 million senior secured credit facility, or the Credit Facility, consisting of a $1,300.0 million term loan B, or the Term Loan, and a $150.0 million revolving credit facility, or the Revolving Credit Facility, with a syndicate of financial institutions as lenders, or Lenders. The Revolving Credit Facility matures on February 15, 2022 and the Term Loan matures on February 15, 2023. However, if the outstanding principal on the 2019 Convertible Notes, as defined below, exceeds $250.0 million and the Company exceeds certain leverage ratios on February 14, 2019, the Revolving Credit Facility will mature on such date. In addition, if the outstanding principal on the 2019 Convertible Notes, as defined below, exceeds $250.0 million and the Company exceeds certain leverage ratios on May 16, 2019, the Term Loan will mature on such date. The Credit Facility is secured by the equity interests of certain of Herbalife Nutrition Ltd.'s subsidiaries and substantially all of the assets of the domestic loan parties. The Credit Facility was amended, effective March 16, 2018, to make certain technical amendments in connection with the offering of the 2024 Convertible Notes, as defined below.

The Term Loan was issued to the Lenders at a 2% discount, or $26.0 million. In connection with the Credit Facility, the Company also repaid the $410.0 million outstanding balance on its Prior Revolving Credit Facility. The Company incurred approximately $22.6 million of debt issuance costs in connection with the Credit Facility. The debt issuance costs and the discount are recorded on the Company's condensed consolidated balance sheet and are being amortized over the life of the Credit Facility using the effective-interest method.

Borrowings under the Term Loan bear interest at either the eurocurrency rate plus a margin of 5.50% or the base rate plus a margin of 4.50%. Prior toAugust 15, 2017, borrowings under the Revolving Credit Facility bore interest at the eurocurrency rate plus a margin of 4.75% or the base rate plus a margin of 3.75%. AfterAugust 15, 2017, borrowings under the Revolving Credit Facility, depending on the Company's consolidated leverage ratio, bear interest at either the eurocurrency rate plus a margin of either 4.50% or 4.75% or the base rate plus a margin of either 3.50% or 3.75%. The base rate represents the highest of the Federal Funds Rate plus 0.50%, one-month adjusted LIBOR plus 1.00%, and the prime rate set by Credit Suisse, and is subject to a floor of 1.75%. The eurocurrency rate is based on adjusted LIBOR and is subject to a floor of 0.75%.The Company is required to pay a commitment fee on the Revolving Facility of 0.50% per annum on the undrawn portion of the Revolving Credit Facility. Interest is due at least quarterly on amounts outstanding on the Credit Facility.

The Credit Facility requires the Company to comply with a leverage ratio. In addition, the Credit Facility contains customary events of default and covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, pay dividends, repurchase its common shares, merge or consolidate and enter into certain transactions with affiliates. The Company is also required to maintain a minimum balance of $200.0 million of consolidated cash and cash equivalents. As of March 31, 2018 and December 31, 2017, the Company was in compliance with its debt covenants under the Credit Facility.

The Term Loan is payable in consecutive quarterly installments each in an aggregate principal amount of $24.4 million which began on June 30, 2017 In addition, the Company may be required to make mandatory prepayments towards the Term Loan based on the Company's consolidated leverage ratio and annual excess cash flows as defined under the terms of the Credit Facility. The Company is also permitted to make voluntary prepayments. These prepayments, if any, will be applied against remaining quarterly installments owed under the Term Loan in order of maturity with the remaining principal due upon maturity.

As of March 31, 2018 and December 31, 2017, the weighted-average interest rate for borrowings under the Credit Facility was 7.15% and 6.79%, respectively.

During the three months ended March 31, 2018, the Company repaid a total amount of $24.4 million under the Credit Facility. During the three months ended March 31, 2017, the Company repaid a total amount of $410.0 million to repay in full amounts outstanding under the Prior Revolving Credit Facility. As of March 31, 2018 and December 31, 2017, the U.S. dollar amount outstanding under the Term Loan was $1,202.5 million and $1,226.9 million, respectively. There were no borrowings outstanding under the Revolving Credit Facility as of March 31, 2018 and December 31, 2017. There were no outstanding foreign currency borrowings as of March 31, 2018 and December 31, 2017 under the Credit Facility.

During the three months ended March 31, 2018, the Company recognized $23.7 million of interest expense relating to the Term Loan, which included $1.1 million relating to non-cash interest expense relating to the debt discount and $0.8 million relating to amortization of debt issuance costs. During the three months ended March 31, 2017, the Company recognized $11.2 million of interest expense relating to the Term Loan, which included $0.6 million relating to non-cash interest expense relating to the debt discount and $0.4 million relating to amortization of debt issuance costs.

The fair value of the outstanding borrowings on the Term Loan is determined by utilizing over-the-counter market quotes, which are considered Level 2 inputs as described in Note 12, *Fair Value Measurements*. As of March 31, 2018 and December 31, 2017, the carrying amount of the Term Loan was $1,167.7 million and $1,190.2 million, respectively, and the fair value was approximately $1,212.3 million and $1,226.1 million, respectively.

*Convertible Senior Notes due 2019*

During February 2014, the Company initially issued $1 billion aggregate principal amount of convertible senior notes, or the 2019 Convertible Notes, in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company granted an option to the initial purchasers to purchase up to an additional $150 million aggregate principal amount of 2019 Convertible Notes which was subsequently exercised in full during February 2014, resulting in a total issuance of $1.15 billion aggregate principal amount of 2019 Convertible Notes. The 2019 Convertible Notes are senior unsecured obligations which rank effectively subordinate to any of the Company's existing and future secured indebtedness, including amounts outstanding under the Credit Facility, to the extent of the value of the assets securing such indebtedness. The 2019 Convertible Notes pay interest at a rate of 2.00% per annum payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2014. The 2019 Convertible Notes mature on August 15, 2019, unless earlier repurchased or converted. The Company may not redeem the 2019 Convertible Notes prior to their stated maturity date. Holders of the 2019 Convertible Notes may convert their notes at their option under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending March 31, 2014, if the last reported sale price of the Company's common shares for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price for the 2019 Convertible Notes on each applicable trading day; (ii) during the five business-day period immediately after any five consecutive trading day period, or the measurement period, in which the trading price per $1,000 principal amount of 2019 Convertible Notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of the Company's common shares and the conversion rate for the 2019 Convertible Notes for each such day; or (iii) upon the occurrence of specified corporate events. On and after May 15, 2019, holders may convert their 2019 Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 2019 Convertible Notes will be settled in cash and, if applicable, the Company's common shares, based on the applicable conversion rate at such time. The 2019 Convertible Notes had an initial conversion rate of 11.5908 common shares per $1,000 principal amount of the 2019 Convertible Notes (which is equal to an initial conversion price of approximately $86.28 per common share). The conversion rate is subject to adjustment.

The Company incurred approximately $26.6 million of issuance costs during the first quarter of 2014 relating to the issuance of the 2019 Convertible Notes. Of the $26.6 million issuance costs incurred, $21.5 million and $5.1 million were recorded as debt issuance costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2019 Convertible Notes. The $21.5 million of debt issuance costs recorded on the Company's condensed consolidated balance sheet is being amortized over the contractual term of the 2019 Convertible Notes using the effective-interest method.

During February 2014, the $1.15 billion aggregate principal amount of the 2019 Convertible Notes were initially allocated between long-term debt, or liability component, and additional paid-in capital, or equity component, within the Company's condensed consolidated balance sheet at $930.9 million and $219.1 million, respectively. The liability component was measured using the nonconvertible debt interest rate. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the face value of the 2019 Convertible Notes as a whole. Since the Company must still settle these 2019 Convertible Notes at face value at or prior to maturity, this liability component will be accreted up to its face value resulting in additional non-cash interest expense being recognized within the Company's condensed consolidated statements of income while the 2019 Convertible Notes remain outstanding. The effective-interest rate on the 2019 Convertible Notes is approximately 6.2% per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

During March 2018, the Company issued $550 million aggregate principal amount of new convertible senior notes due 2024, or 2024 Convertible Notes as described below, and subsequently used the proceeds, along with cash on hand, to repurchase $475.0 million of its existing 2019 Convertible Notes from a limited number of holders in privately negotiated transactions for an aggregate purchase price of $583.5 million, which included $1.0 million of accrued interest. For accounting purposes, pursuant to ASC 470, *Debt*, these transactions were accounted for as an extinguishment of 2019 Convertible Notes and an issuance of new 2024 Convertible Notes. The Company allocated the purchase price between the fair value of the liability component and the equity component of the 2019 Convertible Notes at $459.4 million and $123.0 million, respectively. As a result, the Company recognized $446.4 million as a reduction to long-term debt representing the carrying value of the liability component and $123.0 million as a reduction to additional paid-in capital representing the equity component of the repurchased 2019 Convertible Notes. The $13.1 million difference between the fair value and carrying value of the liability component of the repurchased 2019 Convertible Notes was recognized as a loss on extinguishment of debt as a result of the transaction and is recorded in other expense, net within the Company's condensed consolidated statement of income. The accounting impact of the new 2024 Convertible Notes is described in further detail below.

As of March 31, 2018, the remaining outstanding principal on the 2019 Convertible Notes was $675.0 million, the unamortized debt discount and debt issuance costs were $40.0 million, and the carrying amount of the liability component was $635.0 million, which was recorded to long-term debt within the Company's condensed consolidated balance sheet as reflected in the table above within this Note. As of December 31, 2017, the outstanding principal on the 2019 Convertible Notes was $1.15 billion, the unamortized debt discount and debt issuance costs were $80.0 million, and the carrying amount of the liability component was $1,070.0 million, which was recorded to long-term debt within the Company's condensed consolidated balance sheet as reflected in the table above within this Note. The fair value of the liability component relating to the 2019 Convertible Notes was approximately $652.9 million and $1,066.0 million as of March 31, 2018 and December 31, 2017, respectively.

During the three months ended March 31, 2018, the Company recognized $18.7 million of interest expense relating to the 2019 Convertible Notes, which included $10.4 million relating to non-cash interest expense relating to the debt discount and $1.0 million relating to amortization of debt issuance costs. During the three months ended March 31, 2017, the Company recognized $16.8 million of interest expense relating to the 2019 Convertible Notes, which included $10.0 million relating to non-cash interest expense relating to the debt discount and $1.0 million relating to amortization of debt issuance costs.

In conjunction with the issuance of the 2019 Convertible Notes, during February 2014, the Company paid approximately $685.8 million to enter into prepaid forward share repurchase transactions, or the Forward Transactions, with certain financial institutions, and paid approximately $123.8 million to enter into capped call transactions with respect to its common shares, or the Capped Call Transactions, with certain financial institutions. Subsequently, in conjunction with the repurchase of a portion of the 2019 Convertible Notes, during March 2018, the Company entered into agreements with the option counterparties to the Capped Call Transactions to terminate a portion of such existing transactions. See Note 10, *Shareholders' Deficit*, for additional discussion on the Forward Transactions and Capped Call Transactions entered into in conjunction with the issuance of these 2019 Convertible Notes.

*Convertible Senior Notes due 2024*

During March 2018, the Company issued $550 million aggregate principal amount of convertible senior notes, or the 2024 Convertible Notes, in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2024 Convertible Notes are senior unsecured obligations which rank effectively subordinate to any of the Company's existing and future secured indebtedness, including amounts outstanding under the Credit Facility, to the extent of the value of the assets securing such indebtedness. The 2024 Convertible Notes pay interest at a rate of 2.625% per annum payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2018. The 2024 Convertible Notes mature on March 15, 2024, unless redeemed, repurchased or converted in accordance with their terms prior to such date. Holders of the 2024 Convertible Notes may convert their notes at their option under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending June 30, 2018, if the last reported sale price of the Company's common shares for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price for the 2024 Convertible Notes on each applicable trading day; (ii) during the five business-day period immediately after any five consecutive trading day period, or the measurement period, in which the trading price per $1,000 principal amount of 2024 Convertible Notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of the Company's common shares and the conversion rate for the 2024 Convertible Notes for each such day; (iii) if the Company calls the 2024 Convertible Notes for redemption; or (iv) upon the occurrence of specified corporate events. On and after December 15, 2023, holders may convert their 2024 Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 2024 Convertible Notes will be settled, at the Company's election, in cash, the Company's common shares, or a combination thereof, based on the applicable conversion rate at such time. The 2024 Convertible Notes had an initial conversion rate of 8.0028 common shares per $1,000 principal amount of the 2024 Convertible Notes (which is equal to an initial conversion price of approximately $124.96 per common share). The conversion rate is subject to adjustment.

The Company incurred approximately $12.9 million of issuance costs during the first quarter of 2018 relating to the issuance of the 2024 Convertible Notes. Of the $12.9 million issuance costs incurred, $9.6 million and $3.3 million were recorded as debt issuance costs and additional paid-in capital, respectively, in proportion to the allocation of the proceeds of the 2024 Convertible Notes. The $9.6 million of debt issuance costs, which was recorded as an additional debt discount on the Company's consolidated balance sheet, is being amortized over the contractual term of the 2024 Convertible Notes using the effective interest method.

During March 2018, the $550 million aggregate principal amount of the 2024 Convertible Notes were initially allocated betweenlong-term debt, or liability component, and additional paid-in-capital, or equity component, within the Company's consolidated balance sheet at $410.1 million and $139.9 million, respectively. The liability component was measured using the nonconvertible debt interest rate. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the face value of the 2024 Convertible Notes as a whole. Since the Company must still settle these 2024 Convertible Notes at face value at or prior to maturity, this liability component will be accreted up to its face value resulting in additional non-cash interest expense being recognized within the Company's consolidated statements of income while the 2024 Convertible Notes remain outstanding. The effective interest rate on the2024 Convertible Notes is approximately 8.4% per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

As of March 31, 2018, the outstanding principal on the 2024 Convertible Notes was $550.0 million, the unamortized debt discount and debt issuance costs were $149.0 million, and the carrying amount of the liability component was $401.0 million, which was recorded to long-term debt within the Company's condensed consolidated balance sheet as reflected in the table above within this Note. The fair value of the liability component relating to the 2024 Convertible Notes was approximately $410.1 million as of March 31, 2018.

During the three months ended March 31, 2018, the Company recognized $0.8 million of interest expense relating to the 2024 Convertible Notes, which included $0.5 million relating to non-cash interest expense relating to the debt discount and an immaterial amount relating to amortization of debt issuance costs.

*Valuation of 2019 Convertible Notes and 2024 Convertible Notes – Level 2 and Level 3 Inputs*

In order to determine the initial value of the 2019 Convertible Notes and the 2024 Convertible Notes, the Company determined the fair value of the liability component of the 2019 Convertible Notes and the 2024 Convertible Notes using two valuation methods. The Company reviewed market data that was available for publicly traded, senior, unsecured nonconvertible corporate bonds issued by companies with similar credit ratings. Assumptions used in the estimate represent what market participants would use in pricing the liability component, including market yields and credit standing to develop the straight debt yield estimate. The Company also used a lattice model, which included inputs such as stock price, the Convertible Note trading price, volatility and dividend yield to estimate the straight debt yield. The Company combined the results of the two valuation methods to determine the fair value of the liability component of the 2019 Convertible Notes and the 2024 Convertible Notes. Most of these inputs are primarily considered Level 2 and Level 3 inputs. The Company uses similar valuation approaches to determine the subsequent fair value of the liability component for disclosure purposes only where the Company believes the fair value calculation contains Level 2 and Level 3 inputs.

*Total Debt*

The Company's total interest expense was $44.6 million and $32.5 million for the three months ended March 31, 2018 and 2017, respectively, which was recognized within its condensed consolidated statements of income.

As of March 31, 2018, annual scheduled principal payments of debt were as follows:

| | Principal Payments |
|---|---|
| | *(in millions)* |
| 2018 | $ 77.9 |
| 2019 | 775.0 |
| 2020 | 97.9 |
| 2021 | 97.5 |
| 2022 | 97.5 |
| Thereafter | 1,289.4 |
| Total | $ 2,435.2 |

Certain vendors and government agencies may require letters of credit or similar guaranteeing arrangements to be issued or executed. As of March 31, 2018, the Company had $41.7 million of issued but undrawn letters of credit or similar arrangements, which included the Mexico Value Added Tax, or VAT, related surety bonds described in Note 5, *Contingencies*.

**5. Contingencies**

The Company is from time to time engaged in routine litigation. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate by management for these litigation matters when a probable loss estimate can be made.

The matters described in this Note may take several years to resolve. While the Company believes it has meritorious defenses, it cannot be sure of their ultimate resolution. Although the Company may reserve amounts for certain matters that the Company believes represent the most likely outcome of the resolution of these related disputes, if the Company is incorrect in its assessment, the Company may have to record additional expenses, when it becomes probable that an increased potential liability is warranted.

*Tax Matters*

On May 7, 2010, the Company received an assessment from the Mexican Tax Administration Service in an amount equivalent to approximately $63.1 million, translated at the March 31, 2018 spot rate, for various items, the majority of which was VAT allegedly owed on certain of the Company’s products imported into Mexico during the years 2005 and 2006. This assessment is subject to interest and inflationary adjustments. On July 8, 2010, the Company initiated a formal administrative appeal process. On May 13, 2011, the Mexican Tax Administration Service issued a resolution on the Company’s administrative appeal. The resolution nullified the assessment. Since the Mexican Tax Administration Service can further review the tax audit findings and re-issue some or all of the original assessment, the Company commenced litigation in the Tax Court of Mexico in August 2011 to dispute the assertions made by the Mexican Tax Administration Service in the case. The Company received notification on February 6, 2015 that the Tax Court of Mexico nullified substantially all of the assessment. On March 18, 2015, the Mexican Tax Administration Service filed an appeal against the verdict with the Circuit Court. On August 27, 2015, the Circuit Court remanded the case back to the Tax Court of Mexico to reconsider a portion of the procedural decision that was adverse to the Mexican Tax Administration Service. The Company received notification on March 18, 2016 that the Tax Court of Mexico nullified a portion of the assessment and upheld a portion of the original assessment. On August 25, 2016, the Company filed a further appeal of this decision to the Circuit Court. On April 6, 2017, the Circuit Court issued a verdict with the Company prevailing on some lesser issues and the Tax Administration Service prevailing on the core issue. On May 11, 2017, the Company filed a further appeal to the Supreme Court of Mexico. On June 14, 2017, the Supreme Court of Mexico agreed to hear the appeal. The Company believes that it has meritorious defenses if the assessment is reissued. The Company has not recognized a loss as the Company does not believe a loss is probable.

The Mexican Tax Administration Service commenced audits of the Company’s Mexican subsidiaries for the period from January to September 2007 and on May 10, 2013, the Company received an assessment of approximately $16.2 million, translated at the March 31, 2018 spot rate, related to that period. This assessment is subject to interest and inflationary adjustments. On July 11, 2013, the Company filed an administrative appeal disputing the assessment. On September 22, 2014, the Mexican Tax Administration Service denied the Company’s administrative appeal. The Company commenced litigation in the Tax Court of Mexico in November 2014 to dispute the assertions made by the Mexican Tax Administration Service in the case. On January 16, 2018, the Tax Court of Mexico issued a verdict upholding the assessment issued by the Mexican Tax Administration Service. On April 16, 2018, the Company filed an appeal of this verdict, and litigation is ongoing. The Company has not recognized a loss as the Company does not believe a loss is probable. The Company issued a surety bond in the amount of $19.1 million, translated at the March 31, 2018 spot rate, through an insurance company to guarantee payment of the tax assessment as required while the Company pursues an appeal of the assessment, and the surety bond remained effective as of March 31, 2018.

The Mexican Tax Administration Service has delayed processing VAT refunds for companies operating in Mexico and the Company believes that the process for its Mexico subsidiary to receive VAT refunds may be delayed. As of March 31, 2018, the Company had $39.9 million of Mexico VAT related assets, of which $30.5 million was within non-current other assets and $9.4 million was within prepaid expenses and other current assets on its consolidated balance sheet. This amount relates to VAT payments made over various periods and the Company believes these amounts are recoverable by refund or they may be applied against certain future tax liabilities. The Company has not recognized any losses related to these VAT related assets as the Company does not believe a loss is probable.

On March 26, 2015, the Office of the President of Mexico issued a decree relating to the application of VAT to nutritional supplements. The Company continues to believe its application of the VAT law in Mexico is correct. As of March 31, 2018, the Company has not recognized any losses as the Company, based on its current analysis and guidance from its advisors, does not believe a loss is probable. The Company continues to evaluate and monitor its situation as it develops, including whether it will make any changes to its operations in Mexico.

With respect to these Mexican matters, the Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if an assessment was re-issued or any additional assessments were to be issued for these or other periods. The Company believes that ithas meritorious defenses if an assessment is re-issued or would have meritorious defenses if any additional assessment is issued.

The Company received a tax assessment in September 2009 from the Federal Revenue Office of Brazil in an amount equivalent to approximately $2.1 million, translated at the March 31, 2018 spot rate, related to withholding/contributions based on payments to the Company's Members during 2004. On December 28, 2010, the Company appealed this tax assessment to the Administrative Council of Tax Appeals (2nd level administrative appeal). The Company believes it has meritorious defenses and it has not recognized a loss as the Company does not believe a loss is probable. On March 6, 2014, the Company was notified of a similar audit of the 2011 year. In January 2016, the Company received a tax assessment for an amount equivalent to approximately $5.3 million, translated at the March 31, 2018 spot rate, related to contributions based on payments to the Company's Members during 2011. The Company filed a first level administrative appeal against most of the assessment on February 23, 2016, which was subsequently denied. On March 13, 2017, the Company appealed this tax assessment to the Administrative Council of Tax Appeals (2nd level administrative appeal). The Company has not accrued a loss for the majority of the assessment because the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate the amount of the loss that may result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company's Brazilian subsidiary pays ICMS-ST taxes on its product purchases, similar to VAT. As of March 31, 2018, the Company had $9.8 million of Brazil ICMS-ST, of which $2.5 million was within non-current other assets and $7.3 million was within prepaid expenses and other current assets on its condensed consolidated balance sheet. The Company believes it will be able to utilize or recover these ICMS-ST credits in the future.

The Company is under examination in several Brazilian states related to ICMS and ICMS-ST taxation. Some of these examinations have resulted in assessments for underpaid tax that the Company has appealed. The State of Sao Paulo has audited the Company for the 2013 and 2014 tax years. During July 2016, for the State of Sao Paulo, the Company received an assessment in the aggregate amount of approximately $48.6 million, translated at the March 31, 2018 spot rate, relating to various ICMS issues for its 2013 tax year. In August 2016, the Company filed a first level administrative appeal which was denied in February 2017. The Company filed a further appeal on March 9, 2017. On March 20, 2018, the Court held a hearing and a verdict is currently pending. During August 2017, for the state of Sao Paulo, the Company received an assessment in the aggregate amount of approximately $18.0 million, translated at the March 31, 2018 spot rate, relating to various ICMS issues for its 2014 tax year. In September 2017, the Company filed a first level administrative appeal for the 2014 tax year. The Company has not recognized a loss as the Company does not believe a loss is probable. The Company has also received other ICMS tax assessments in Brazil. During the fourth quarter of 2015, the Company filed appeals with state judicial courts against three of the assessments. The Company had issued surety bonds in the aggregate amount of $13.2 million, translated at the March 31, 2018 spot rate, to guarantee payment of some of the tax assessments as required while the Company pursues the appeals. In addition, the Company has received several ICMS tax assessments in the aggregate amount of $7.3 million, translated at the March 31, 2018 spot rate, from several other Brazilian states where surety bonds have not been issued. Litigation in all these cases is currently ongoing. The Company has not recognized a loss as the Company does not believe a loss is probable.

The Company has received various tax assessments in multiple states in India for multiple years from the Indian VAT authorities in an amount equivalent to approximately $9.6 million, translated at the March 31, 2018 spot rate. These assessments are for underpaid VAT. The Company is litigating these cases at the tax administrative level and the tax tribunal levels as it believes it has meritorious defenses. The Company has not recognized a loss as it does not believe a loss is probable.

The Korea Customs Service audited the importation activities of Herbalife Korea for the period January 2011 through May 2013. The total assessment for the audit period is $33.3 million translated at the March 31, 2018 spot rate. The Company has paid the assessment and has recognized these payments within other assets on its condensed consolidated balance sheet. The Company lodged a first level administrative appeal, which was denied on October 21, 2016. On January 31, 2017, the Company filed a further appeal to the National Tax Tribunal of Korea. The Company disagrees with the assertions made in the assessments, as well as the calculation methodology used in the assessments. The Company has not recognized a loss as the Company does not believe a loss is probable.

During the course of 2016, the Company received various questions from the Greek Social Security Agency and onDecember 29, 2016, the Greek Social Security Agency issued an assessment of approximately $2.5 million translated at the March 31, 2018 spot rate, with respect to Social Security Contributions on Member earnings for the 2006 year. For Social Security issues, thestatute of limitations is open for 2007 and later years in Greece.The Company could receive similar assessments covering other years. The Company disputes the allegations that were raised in the assessment and filed an administrative appeal against the assessment with the Greek Social Security Agency. On November 14, 2017, the Administrative Review Committee of the Greek Social Security A gency notified the Company that it had remanded the case back to the Social Security Agency auditors with an instruction to reconsider the case since the majority of the assessment seemed to be unfounded. The administrative appeals committee held a further hearing on this case on April 12, 2018 and a verdict isstill pending. The Company has not recognized a loss as it does not believe a loss is probable.

The Italian tax authorities are currently auditing the Company covering the periods 2014 and 2015. The Company has responded to the various points relating to income tax and non-income tax matters initially raised by the tax authorities to date. The Italian tax authorities are discussing certain of its preliminary findings with the Company and the audit is ongoing. It is possible that the Company could receive a final assessment from the Italian tax authorities after these discussions and the audit are completed. The Company believes that it has adequately accrued for income tax matters that are known to date. In regards to non-income tax matters, the Company has not recognized a loss as it does not believe a loss is probable. The Company believes that it has meritorious defenses if a formal assessment is issued by the Italian tax authorities. The Company is currently unable to reasonably estimate the amount of loss that may result from an unfavorable outcome if a formal assessment is issued by the Italian tax authorities.

During March 2018, the Chinese Customs Service began an audit of the Company's Chinese importations covering the periods 2015 through 2017. The Company has responded to the initial questions from the Customs Service and the audit is ongoing. The Company is currently unable to reasonably estimate the amount of loss if an assessment is issued.

*U.S. Federal Trade Commission Consent Order*

On July 15, 2016, the Company and the Federal Trade Commission, or the FTC, entered into a proposed Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment, or the Consent Order. The Consent Order was lodged with the U.S. District Court for the Central District of California on July 15, 2016 and became effective on July 25, 2016, or the Effective Date. The Consent Order resolved the FTC's multi-year investigation of the Company.

Pursuant to the Consent Order, under which the Company neither admitted nor denied the FTC's allegations (except as to the Court having jurisdiction over the matter), the Company made, through its wholly-owned subsidiary Herbalife International of America, Inc., a $200 million payment to the FTC. Additionally, the Company agreed to implement certain new procedures and enhance certain existing procedures in the U.S., most of which the Company had 10 months from the Effective Date to implement. Among other requirements, the Consent Order requires the Company to categorize all existing and future Members in the U.S. as either "preferred members" – who are simply consumers who only wish to purchase products for their own household use, or "distributors" – who are Members who wish to resell some products or build a sales organization. The Company also agreed to compensate distributors on eligible U.S. sales within their downline organization, which include purchases by preferred members, purchases by a distributor for his or her personal consumption within allowable limits and sales of product by a distributor to his or her customers. The Consent Order also imposes restrictions on a distributor's ability to open Nutrition Clubs in the United States. The Consent Order subjects the Company to certain audits by an independent compliance auditor for a period of seven years; imposes requirements on the Company regarding compliance certification and record creation and maintenance; and prohibits the Company, its affiliates and its distributors from making misrepresentations and misleading claims regarding, among other things, income and lavish lifestyles. The FTC and the independent compliance auditor have the right to inspect Company records and request additional compliance reports for purposes of conducting audits pursuant to the Consent Order. In September 2016, the Company and the FTC mutually selected Affiliated Monitors, Inc. to serve as the independent compliance auditor. The Company continues to monitor the impact of the Consent Order and, while the Company currently does not expect the settlement to have a long-term and materially adverse impact on its business and its Member base, the Company's business and its Member base, particularly in the United States, may be negatively impacted as the Company and the Member base adjust to the changes. If the Company is unable to comply with the Consent Order then this could result in a material and adverse impact to the Company's results of operations and financial condition.

*Other Matters*

As a marketer of foods, dietary and nutritional supplements, and other products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims. The effects of these claims to date have not been material to the Company. The Company currently maintains product liability insurance with an annual deductible of $12.5 million.

As previously disclosed, the SEC and the Department of Justice have been conducting an investigation into the Company's anti-corruption compliance in China, which has mainly focused on entertainment and gift expenditures by the Company's local China external affairs department. The government has requested and is continuing to request documents and other information relating to these matters. The Company is conducting its own review and has taken remedial and improvement measures based upon this review, including replacement of a number of employees in China and enhancements of Company policies and procedures in China. The Company is continuing to cooperate with the government and cannot predict the eventual scope, duration, or outcome of the government investigation at this time.

A short seller has made allegations regarding the Company and its network marketing program. The Company believes these allegations are without merit and has vigorously defended itself against such claims, including proactively reaching out to governmental authorities about what the Company believes is manipulative activity with respect to its securities. Because of these allegations, the Company and others have received and may receive additional regulatory and governmental inquiries. For example, the Company has previously disclosed inquiries from the FTC, SEC and other governmental authorities. In the future, governmental authorities may determine to seek information from the Company and other persons relating to these same or other allegations. If the Company believes any governmental or regulatory inquiry or investigation is or becomes material it will be disclosed individually. Consistent with its policies, the Company has cooperated and will continue to fully cooperate with any governmental or regulatory inquiries or investigations.

On September 18, 2017, the Company and certain of its subsidiaries and Members were named as defendants in a purported class action lawsuit, titled *Rodgers, et al. v Herbalife Ltd., et al.* and filed in the U.S. District Court for the Southern District of Florida, which alleges violations of Florida's Deceptive and Unfair Trade Practices statute and federal Racketeer Influenced and Corrupt Organizations statutes, unjust enrichment, and negligent misrepresentation. The plaintiffs seek damages in an unspecified amount. The Company believes the lawsuit is without merit and will vigorously defend itself against the claims in the lawsuit.

In September 2017, one of the Company's warehouses located in Mexico sustained flooding which damaged certain inventory stored within the warehouse. The Company maintains insurance coverage with third-party carriers on the affected property. As of March 31, 2018, the Company has recorded a loss relating to the damaged inventory and has recognized an equal offsetting receivable for insurance recoveries. This event did not have a material negative impact on the Company's Mexico operations or its condensed consolidated financial statements.

**6. Segment Information**

The Company is a nutrition company that sells a wide range of weight management, targeted nutrition, energy, sports & fitness, and outer nutrition products. The Company's products are manufactured by the Company in its Changsha, Hunan, China extraction facility; Suzhou, China facility; Nanjing, China facility; Lake Forest, California facility; and Winston-Salem, North Carolina facility, as well as by third-party providers, and then are sold to Members who consume and sell Herbalife products to retail consumers or other Members. Revenues reflect sales of products by the Company to its Members and are categorized based on geographic location.

As of March 31, 2018, the Company sold products in 94 countries throughout the world and was organized and managed by six geographic regions: North America, Mexico, South & Central America, EMEA, Asia Pacific, and China. The Company defines its operating segments as those geographical operations. The Company aggregates its operating segments, excluding China, into a reporting segment, or the Primary Reporting Segment, as management believes that the Company's operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers to whom products are sold, the methods used to distribute the products, the nature of the regulatory environment, and their economic characteristics. China has been identified as a separate reporting segment as it does not meet the criteria for aggregation. The Company reviews its net sales and contribution margin by operating segment, and reviews its assets and capital expenditures on a consolidated basis and not by operating segment. Therefore, net sales and contribution margin are presented by reportable segment and assets and capital expenditures by segment are not presented.

The operating information for the two reportable segments is as follows:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | (in millions) | |
| **Net sales:** | | |
| Primary Reporting Segment | $ 964.7 | $ 886.5 |
| China | 212.2 | 215.6 |
| Total net sales | $ 1,176.9 | $ 1,102.1 |
| **Contribution margin(1):** | | |
| Primary Reporting Segment | $ 414.3 | $ 386.6 |
| China(2) | 185.4 | 195.8 |
| Total contribution margin | $ 599.7 | $ 582.4 |
| Selling, general, and administrative expenses(2) | 460.1 | 438.6 |
| Other operating income | (16.2) | — |
| Interest expense, net | 39.9 | 30.2 |
| Other expense, net | 24.4 | — |
| Income before income taxes | 91.5 | 113.6 |
| Income taxes | 9.4 | 28.4 |
| Net income | $ 82.1 | $ 85.2 |

(1) Contribution margin consists of net sales less cost of sales and Royalty overrides. For the China segment, contribution margin does not include service fees to China independent service providers.

(2) Service fees to China independent service providers totaling $110.9 million and $111.6 million for the three months ended March 31, 2018 and 2017, respectively, are included in selling, general, and administrative expenses.

The following table sets forth net sales by geographic area:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | (in millions) | |
| **Net sales:** | | |
| United States | $ 225.5 | $ 224.7 |
| China | 212.2 | 215.6 |
| Mexico | 114.0 | 104.8 |
| Others | 625.2 | 557.0 |
| Total net sales | $ 1,176.9 | $ 1,102.1 |

**7. Share-Based Compensation**

The Company has share-based compensation plans, which are more fully described in Note 9, *Share-Based Compensation*, to the Consolidated Financial Statements included in the 2017 10-K. During the three months ended March 31, 2018, the Company granted restricted stock units subject to service conditions and service and performance conditions.

For the three months ended March 31, 2018 and 2017, share-based compensation expense amounted to $9.8 million and $11.3 million, respectively. As of March 31, 2018, the total unrecognized compensation cost related to all non-vested stock awards was $80.9 million and the related weighted-average period over which it is expected to be recognized is approximately 1.4 years.

The following tables summarize the activity under all share-based compensation plans for thethree months ended March 31, 2018:

| | Number of Awards | Weighted-Average Exercise Price Per Award | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value(1) |
|---|---|---|---|---|
| | *(in thousands)* | | | *(in millions)* |
| Outstanding as of December 31, 2017(2)(3) | 9,597 | $ 46.72 | 6.2 years | $ 212.0 |
| Granted | — | $ — | | |
| Exercised | (2,379 ) | $ 40.49 | | |
| Forfeited | (81) | $ 55.92 | | |
| Outstanding as of March 31, 2018(2)(3) | 7,137 | $ 48.69 | 6.2 years | $ 348.1 |
| Exercisable as of March 31, 2018(4) | 4,992 | $ 44.32 | 5.3 years | $ 265.3 |

(1) The intrinsic value is the amount by which the current market value of the underlying stock exceeds the exercise price of the stock awards.
(2) Includes 0.1 million market condition SARs as of both March 31, 2018 and December 31, 2017.
(3) Includes 2.9 million and 3.1 million performance condition SARs as of March 31, 2018 and December 31, 2017, respectively, which represent the maximum amount that can vest.
(4) Includes 2.0 million performance condition SARs.

There were no SARs granted during the three months ended March 31, 2018. The weighted-average grant date fair value of SARs granted during the three months ended March 31, 2017 was $28.32. The total intrinsic value of SARs exercised during the three months ended March 31, 2018 and 2017 was $122.2 million and $16.8 million, respectively.

The following table summarizes the activities for stock units for the three months ended March 31, 2018:

| | Number of Shares | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| | *(in thousands)* | |
| Outstanding and nonvested as of December 31, 2017(1) | 163 | $ 68.69 |
| Granted(2) | 662 | $ 86.30 |
| Vested | (1 ) | $ 61.14 |
| Forfeited | (6) | $ 86.30 |
| Outstanding and nonvested as of March 31, 2018(1) | 818 | $ 82.81 |

(1) Includes 354,418 and 134,388 performance-based stock unit awards as of March 31, 2018 and December 31, 2017, respectively, which represents the maximum amount that can vest.
(2) Includes 220,030 performance-based stock unit awards, which represents the maximum amount that can vest.

The total vesting date fair value of stock units which vested during both the three months ended March 31, 2018 and 2017 was less than $0.1 million.

**8. Income Taxes**

Income taxes were $9.4 million for the three months ended March 31, 2018, as compared to $28.4 million for the same period in 2017. The effective income tax rate was 10.3% for the three months ended March 31, 2018, as compared to 25.0% for the same period in 2017. The decrease in the effective tax rate for the three months ended March 31, 2018, as compared to the same period in 2017, was primarily due to the increase in net benefits from discrete events, in addition to the impact of changes in the geographic mix of the Company's income. Included in the discrete events for the three months ended March 31, 2018 and 2017 was the impact of $19.4 million and $4.3 million, respectively, of excess tax benefits on share-based compensation arrangements.

As of March 31, 2018, the total amount of unrecognized tax benefits, including related interest and penalties, was $61.7 million. If the total amount of unrecognized tax benefits was recognized, $44.2 million of unrecognized tax benefits, $9.6 million of interest, and $1.4 million of penalties would impact the effective tax rate.

The Company believes that it is reasonably possible that the amount of unrecognized tax benefits could decrease by up to approximately $9.1 million within the next twelve months. Of this possible decrease, $0.7 million would be due to the settlement of audits or resolution of administrative or judicial proceedings. The remaining possible decrease of $8.4 million would be due to the expiration of statute of limitations in various jurisdictions.For a description on contingency matters relating to income taxes, see Note 5, *Contingencies*.

As described in Note 12, *Income Taxes*, to the Consolidated Financial Statements included in the 2017 10-K, on December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act, or the Act. The Act, which is also commonly referred to as "U.S. Tax Reform," significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a modified territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. As a result of the Act, the Company recorded a provisional net expense during the fourth quarter of 2017 which was reflected in its prior year financial statements. There have not been any adjustments to these provisional amounts during the three months ended March 31, 2018. The Company continues to analyze other information and regulatory guidance, and accordingly the Company may record additional provisional amounts or adjustments to provisional amounts in future periods. Pursuant to the SEC's Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, any adjustments to these provisional amounts will be reported as a component of tax expense in the reporting period in which any such adjustments are determined, which will be no later than the fourth quarter of 2018.

## 9. Derivative Instruments and Hedging Activities

***Foreign Currency Instruments***

The Company designates certain foreign currency derivatives, primarily comprised of foreign currency forward contracts, as freestanding derivatives for which hedge accounting does not apply. The changes in the fair market value of these freestanding derivatives are included in selling, general, and administrative expenses in the Company's condensed consolidated statements of income. The Company uses freestanding foreign currency derivatives to hedge foreign currency-denominated intercompany transactions and to partially mitigate the impact of foreign currency fluctuations. The fair value of the freestanding foreign currency derivatives is based on third-party quotes. The Company's foreign currency derivative contracts are generally executed on a monthly basis.

The Company designates as cash-flow hedges those foreign currency forward contracts it enters into to hedge forecasted inventory purchases and intercompany management fees that are subject to foreign currency exposures. Forward contracts are used to hedge forecasted inventory purchases over specific months. Changes in the fair value of these forward contracts, excluding forward points, designated as cash-flow hedges are recorded as a component of accumulated other comprehensive loss within shareholders' deficit, and are recognized in cost of sales in the condensed consolidated statement of income during the period which approximates the time the hedged inventory is sold. The Company also hedges forecasted intercompany management fees over specific months. These contracts allow the Company to sell Euros in exchange for U.S. dollars at specified contract rates. Changes in the fair value of these forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive loss within shareholders' deficit, and are recognized in selling, general, and administrative expenses in the condensed consolidated statement of income during the period when the hedged item and underlying transaction affect earnings.

As of March 31, 2018 and December 31, 2017, the aggregate notional amounts of all foreign currency contracts outstanding designated as cash flow hedges were approximately $95.8 million and $104.9 million, respectively. As of March 31, 2018, these outstanding contracts were expected to mature over the next fifteen months. The Company's derivative financial instruments are recorded on the condensed consolidated balance sheets at fair value based on third-party quotes. As of March 31, 2018, the Company recorded assets at fair value of $0.5 million and liabilities at fair value of $4.8 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. As of December 31, 2017, the Company recorded assets at fair value of $2.9 million and liabilities at fair value of $4.0 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. The Company assesses hedge effectiveness and measures hedge ineffectiveness at least quarterly. During the three months ended March 31, 2018 and 2017, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of March 31, 2018 and December 31, 2017.

As of March 31, 2018 and December 31, 2017, the majority of the Company's outstanding foreign currency forward contracts had maturity dates of less than twelve months with the majority of freestanding derivatives expiring within one month as of March 31, 2018 and December 31, 2017. As of March 31, 2018, the Company had aggregate notional amounts of approximately $484.9 million of foreign currency contracts, inclusive of freestanding contracts and contracts designated as cash flow hedges.

The following tables summarize the derivative activity during the three months endedMarch 31, 2018 and 2017 relating to all the Company's derivatives.

***Gains and Losses on Derivative Instruments***

The following table summarizes gains (losses) relating to derivative instruments recorded in other comprehensive income (loss) during the three months ended March 31, 2018 and 2017:

| | Amount of Loss Recognized in Accumulated Other Comprehensive Loss — Three Months Ended March 31, 2018 | March 31, 2017 |
|---|---|---|
| | (in millions) | |
| **Derivatives designated as hedging instruments:** | | |
| Foreign exchange currency contracts relating to inventory and intercompany management fee hedges | $ (4.0 ) | $ (6.1 ) |

As of March 31, 2018, the estimated amount of existing net losses related to cash flow hedges recorded in accumulated other comprehensive loss that are expected to be reclassified into earnings over the next twelve months was $1.6 million.

The following table summarizes gains (losses) relating to derivative instruments recorded to income during the three months ended March 31, 2018 and 2017:

| | Amount of Loss Recognized in Income — Three Months Ended March 31, 2018 | March 31, 2017 | Location of Loss Recognized in Income |
|---|---|---|---|
| | (in millions) | | |
| **Derivatives designated as hedging instruments:** | | | |
| Foreign exchange currency contracts relating to inventory and intercompany management fee hedges(1) | $ (2.0 ) | $ (0.5 ) | Selling, general, and administrative expenses |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign exchange currency contracts | $ (2.7 ) | $ (1.3 ) | Selling, general, and administrative expenses |

(1) For foreign exchange contracts designated as hedging instruments, the amounts recognized in income primarily represent the amounts excluded from the assessment of hedge effectiveness. There were no material ineffective amounts reported for derivatives designated as hedging instruments.

The following table summarizes gains (losses) relating to derivative instruments reclassified fromaccumulated other comprehensive loss into income during the three months ended March 31, 2018 and 2017:

| | Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss to Income | | |
|---|---|---|---|
| | Three Months Ended | | |
| | March 31, 2018 | March 31, 2017 | Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss to Income (Effective Portion) |
| | (in millions) | | |
| **Derivatives designated as hedging instruments:** | | | |
| Foreign exchange currency contracts relating to inventory hedges | $ 0.5 | $ 0.9 | Cost of sales |
| Foreign exchange currency contracts relating to intercompany management fee hedges | $ (2.4) | $ 0.5 | Selling, general, and administrative expenses |

The Company reports its derivatives at fair value as either assets or liabilities within its condensed consolidated balance sheets. See Note 12, *Fair Value Measurements,* for information on derivative fair values and their condensed consolidated balance sheets location as of March 31, 2018 and December 31, 2017.

## 10. Shareholders' Deficit

### *Dividends*

The declaration of future dividends is subject to the discretion of the Company's board of directors and will depend upon various factors, including its earnings, financial condition, Herbalife Nutrition Ltd.'s available distributable reserves under Cayman Islands law, restrictions imposed by the Credit Facility and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by its board of directors.

### *Share Repurchases*

On February 21, 2017, the Company's board of directors authorized a new three-year $1.5 billion share repurchase program that will expire on February 21, 2020, which replaced the Company's prior share repurchase authorization that was set to expire on June 30, 2017 and had approximately $233 million of remaining authorized capacity as of December 31, 2016. This share repurchase program allows the Company, which includes an indirect wholly-owned subsidiary of Herbalife Nutrition Ltd., to repurchase the Company's common shares at such times and prices as determined by management, as market conditions warrant, and to the extent Herbalife Nutrition Ltd.'s distributable reserves are available under Cayman Islands law. The Credit Facility permits the Company to repurchase its common shares as long as no default or event of default exists and other conditions, such as specified consolidated leverage ratios, are met.

In conjunction with the issuance of the 2019 Convertible Notes during February 2014, the Company paid approximately $685.8 million to enter into Forward Transactions with certain financial institutions, or the Forward Counterparties, pursuant to which the Company purchased approximately 9.9 million common shares, at an average cost of $69.02 per share, for settlement on or around the August 15, 2019 maturity date for the 2019 Convertible Notes, subject to the ability of each Forward Counterparty to elect to settle all or a portion of its Forward Transactions early. The Forward Transactions were generally expected to facilitate privately negotiated derivative transactions between the Forward Counterparties and holders of the 2019 Convertible Notes, including swaps, relating to the common shares by which holders of the 2019 Convertible Notes establish short positions relating to the common shares and otherwise hedge their investments in the 2019 Convertible Notes concurrently with, or shortly after, the pricing of the 2019 Convertible Notes.

As a result of the Forward Transactions, the Company's total shareholders' equity within its condensed consolidated balance sheet was reduced by approximately $685.8 million during the first quarter of 2014, with amounts of $653.9 million and $31.9 million being allocated between accumulated deficit and additional paid-in capital, respectively, within total shareholders' equity. Also, upon executing the Forward Transactions, the Company recorded, at fair value, $35.8 million in non-cash issuance costs to other assets and a corresponding amount to additional paid-in capital within its condensed consolidated balance sheet. These non-cash issuance costs will be amortized to interest expense over the contractual term of the Forward Transactions. For both the three months ended March 31, 2018 and 2017, the Company recognized $1.6 million of non-cash interest expense within its condensed consolidated statements of income relating to amortization of these non-cash issuance costs.

During the three months ended March 31, 2018, an indirect wholly-owned subsidiary of the Company purchased 4,200 of Herbalife Nutrition Ltd.'s common shares through open market purchases at an aggregate cost of approximately $0.3 million, or an average cost of $67.79 per share. During the three months ended March 31, 2017, an indirect wholly-owned subsidiary of the Company purchased approximately 1.1 million of Herbalife Nutrition Ltd.'s common shares through open market purchases at an aggregate cost of approximately $60.7 million, or an average cost of $56.10 per share. These share repurchases increased the Company's total shareholders' deficit and are reflected at cost within the Company's accompanying condensed consolidated balance sheets. Although these shares are owned by an indirect wholly-owned subsidiary of the Company and remain legally outstanding, they are reflected as treasury shares under U.S. GAAP and therefore reduce the number of common shares outstanding within the Company's condensed consolidated financial statements and the weighted-average number of common shares outstanding used in calculating earnings per share. The common shares of Herbalife Nutrition Ltd. held by the indirect wholly-owned subsidiary, however, remain outstanding on the books and records of the Company's transfer agent and therefore still carry voting and other share rights related to ownership of the Company's common shares, which may be exercised. So long as it is consistent with applicable laws, such shares will be voted by such subsidiary in the same manner, and to the maximum extent possible in the same proportion, as all other votes cast with respect to any matter properly submitted to a vote of Herbalife Nutrition Ltd.'s shareholders. As of both March 31, 2018 and December 31, 2017, the Company held approximately 5.0 million, of treasury shares for U.S. GAAP purposes. As of March 31, 2018, the remaining authorized capacity under the Company's $1.5 billion share repurchase program was $713.3 million.

In connection with the Company's modified Dutch auction tender offer, which was completed in October 2017, the Company incurred $1.6 million in transaction costs and also provided a non-transferable contractual contingent value right, or CVR, for each share tendered, allowing participants in the tender offer to receive a contingent cash payment in the event Herbalife is acquired in a going-private transaction (as defined in the CVR Agreement) within two years of the commencement of the tender offer. The initial fair value of the CVR was $7.3 million, which was recorded as a liability in the fourth quarter with a corresponding decrease to shareholders' equity. In determining the initial fair value of the CVR, the Company used a lattice model, which included inputs such as the underlying stock price, strike price, time to expiration, and dividend yield. Subsequent changes in the fair value of the CVR liability, using a similar valuation approach as the initial fair value determination, are recognized within the Company's condensed consolidated balance sheets with corresponding gains or losses being recognized in non-operating expense (income) within the Company's condensed consolidated statements of income during each reporting period until the CVR expires in August 2019 or is terminated due to a going-private transaction, which is also incorporated in the valuation of the CVR; this going-private probability input is considered to be a Level 3 input in the fair value hierarchy. Any subsequent increase or decrease in this input or other inputs described above in subsequent valuations could significantly impact the fair value of the CVR. The Company recognized an $11.3 million loss in other expense, net within its condensed consolidated statement of income during the three months ended March 31, 2018 due to the change in the fair value of the CVR, which was primarily driven by the increase in the market price of the Company's common shares. As of March 31, 2018 and December 31, 2017, the fair value of the CVR was $18.2 million and $6.9 million, respectively.

The approximate 9.9 million common shares effectively repurchased through the Forward Transactions are treated as retired shares for basic and diluted EPS purposes although they remain legally outstanding. During the three months ended March 31, 2018 and 2017, the Company also withheld shares on its vested restricted stock units and exercised SARs relating to its share-based compensation plans, which are treated as share repurchases in the Company's condensed consolidated financial statements as discussed further below.

The Company reflects the aggregate purchase price of its common shares repurchased as an increase to shareholders' deficit. The Company allocated the purchase price of the repurchased shares to (accumulated deficit) retained earnings, common shares, and additional paid-in capital, with the exception of treasury shares, which are recorded separately on the Company's condensed consolidated balance sheets.

The number of shares issued upon vesting or exercise for certain restricted stock units and SARs granted pursuant to the Company's share-based compensation plans is net of the statutory withholding requirements that the Company pays on behalf of its employees. Although shares withheld are not issued, they are treated as common share repurchases in the Company's condensed consolidated financial statements, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the Company's share repurchase program described above.

For the three months ended March 31, 2018 and 2017, the Company's share repurchases were $0.3 million and $60.7 million, respectively, under the Company's share repurchase programs, and $49.7 million and $7.5 million, respectively, due to shares withheld for tax purposes related to the Company's share-based compensation plans. For the three months ended March 31, 2018 and 2017, the Company's total share repurchases, including shares withheld for tax purposes, were $50.0 million and $68.2 million, respectively, and have been recorded as an increase to shareholders' deficit within the Company's condensed consolidated balance sheets. The Company recorded $54.2 million of total share repurchases within financing activities on its condensed consolidated statement of cash flows for the three months ended March 31, 2018, which includes $4.2 million of share repurchases that were reflected as an increase to shareholders' deficit within the Company's condensed consolidated balance sheet as of December 31, 2017 but were subsequently paid during the three months ended March 31, 2018. The Company recorded $58.1 million of total share repurchases within financing activities on its condensed consolidated statement of cash flows for the three months ended March 31, 2017, which excludes $10.1 million of share repurchases for which payment was made subsequent to the quarter end and was therefore reflected as a liability within the Company's condensed consolidated balance sheet as of March 31, 2017.

***Capped Call Transactions***

In February 2014, in connection with the issuance of the 2019 Convertible Notes, the Company paid approximately $123.8 million to enter into Capped Call Transactions with certain financial institutions. The Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2019 Convertible Notes in the event that the market price of the common shares is greater than the strike price of the Capped Call Transactions, initially set at $86.28 per common share, with such reduction of potential dilution subject to a cap based on the cap price initially set at $120.79 per common share. The strike price and cap price are subject to certain adjustments under the terms of the Capped Call Transactions. Therefore, as a result of executing the Capped Call Transactions, the Company in effect will only be exposed to potential net dilution once the market price of its common shares exceeds the adjusted cap price. As of March 31, 2018, the average adjusted cap price was approximately $110 per common share. As a result of the Capped Call Transactions, the Company's additional paid-in capital within shareholders' equity on its condensed consolidated balance sheet was reduced by $123.8 million during the first quarter of 2014.

During March 2018, in connection with the Company's repurchase of a portion of the 2019 Convertible Notes, the Company entered into partial settlement agreements with the option counterparties to the Capped Call Transactions to terminate a portion of such existing transactions, in each case, in a notional amount corresponding to the aggregate principal amount of 2019 Convertible Notes that were repurchased. As a result of terminating a portion of the Capped Call Transactions, which were in a favorable position, the Company received $27.1 million in cash and recognized $16.9 million in other current assets primarily related to the amount that was expected to be paid in cash to the Company and $44.0 million as an increase in additional paid-in capital as of March 31, 2018. The $16.9 million was subsequently received in April 2018.

During April 2018, the Company's remaining terminated Capped Call Transactions were fully settled, and the Company received $12.0 million in cash and recognized an offsetting increase to additional paid-in capital.

***Accumulated Other Comprehensive Loss***

The following table summarizes changes in accumulated other comprehensive loss by component during the three months ended March 31, 2018 and 2017:

| | Changes in Accumulated Other Comprehensive Loss by Component | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended | | | | | |
| | March 31, 2018 | | | March 31, 2017 | | |
| | Foreign Currency Translation Adjustments | Unrealized Gain (Loss) on Derivatives | Total | Foreign Currency Translation Adjustments | Unrealized Gain (Loss) on Derivatives | Total |
| | (in millions) | | | | | |
| Beginning balance | $ (170.6) | $ 5.2 | $ (165.4) | $ (215.5) | $ 10.4 | $ (205.1) |
| Other comprehensive income (loss) before reclassifications, net of tax | 21.2 | (3.9) | 17.3 | 23.0 | (6.1) | 16.9 |
| Amounts reclassified from accumulated other comprehensive loss to income, net of tax(1) | — | 0.8 | 0.8 | — | (1.4) | (1.4) |
| Total other comprehensive income (loss), net of reclassifications | 21.2 | (3.1) | 18.1 | 23.0 | (7.5) | 15.5 |
| Ending balance | $ (149.4) | $ 2.1 | $ (147.3) | $ (192.5) | $ 2.9 | $ (189.6) |

(1) See Note 9, *Derivative Instruments and Hedging Activities*, for information regarding the location in the condensed consolidated statements of income of gains (losses) reclassified from accumulated other comprehensive loss into income during the three months ended March 31, 2018 and 2017.

Other comprehensive income (loss) before reclassifications was net of tax expense of $1.1 million for foreign currency translation adjustments for the three months ended March 31, 2018.

Other comprehensive income (loss) before reclassifications was net of tax expense of $2.6 million for foreign currency translation adjustments for the three months ended March 31, 2017.

## 11. Earnings Per Share

Basic earnings per share represents net income divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share represents net income divided by the weighted-average number of common shares outstanding, inclusive of the effect of dilutive securities, such as outstanding SARs and stock units.

The following are the common share amounts used to compute the basic and diluted earnings per share for each period:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | (in millions) | |
| Weighted-average shares used in basic computations | 72.7 | 83.1 |
| Dilutive effect of exercise of equity grants outstanding | 3.6 | 3.6 |
| Weighted-average shares used in diluted computations | 76.3 | 86.7 |

There were an aggregate of 1.3 million and 5.3 million of equity grants, consisting of SARs, and stock units that were outstanding during the three months ended March 31, 2018 and 2017, respectively, but were not included in the computation of diluted earnings per share because their effect would be anti-dilutive or the performance condition for the award had not been satisfied.

Since the Company will settle the principal amount of its 2019 Convertible Notes in cash and settle the conversion feature for the amount above the conversion price in common shares, or the conversion spread, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted earnings per share, if applicable. The conversion spread will have a dilutive impact on diluted earnings per share when the average market price of the Company's common shares for a given period exceeds the initial conversion price of $86.28 per share. For the three months ended March 31, 2018 and 2017, the 2019 Convertible Notes have been excluded from the computation of diluted earnings per share, as the effect would be anti-dilutive since the conversion price of the 2019 Convertible Notes exceeded the average market price of the Company's common shares for the three months ended March 31, 2018 and 2017. The initial conversion rate and conversion price for the 2019 Convertible Notes are described further in Note 4, *Long-Term Debt.*

For the 2024 Convertible Notes, the Company has the intent and ability to settle the principal amount in cash and intends to settle the conversion feature for the amount above the conversion price, or the conversion spread, in common shares. The Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted earnings per share, if applicable. The conversion spread will have a dilutive impact on diluted earnings per share when the average market price of the Company's common shares for a given period exceeds the initial conversion price of $124.96 per share. For the three months ended March 31, 2018, the 2024 Convertible Notes have been excluded from the computation of diluted earnings per share, as the effect would be anti-dilutive since the conversion price of the 2024 Convertible Notes exceeded the average market price of the Company's common shares for the three months ended March 31, 2018. The initial conversion rate and conversion price for the 2024 Convertible Notes are described further in Note 4, *Long-Term Debt.*

The Capped Call Transactions are excluded from the calculation of diluted earnings per share because their impact is always anti-dilutive. Additionally, the Forward Transactions are treated as retired shares for basic and diluted EPS purposes, although they remain legally outstanding. See Note 10, *Shareholders' Deficit*, for additional discussion regarding the Capped Call Transactions and Forward Transactions.

See Note 10, *Shareholders' Deficit*, for a discussion of how common shares repurchased by the Company's indirect wholly-owned subsidiary are treated under U.S. GAAP.

**12. Fair Value Measurements**

The Company applies the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, or ASC 820, for its financial and non-financial assets and liabilities. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability.

The Company measures certain assets and liabilities at fair value as discussed throughout the notes to its condensed consolidated financial statements. Foreign exchange currency contracts are valued using standard calculations and models primarily based on inputs such as observable forward rates, spot rates and foreign currency exchange rates at the reporting period ended date. The Company's derivative assets and liabilities are measured at fair value and consisted of Level 2 inputs and their amounts are shown below at their gross values as of March 31, 2018 and December 31, 2017:

| | Balance Sheet Location | Significant Other Observable Inputs (Level 2) Fair Value as of March 31, 2018 | Significant Other Observable Inputs (Level 2) Fair Value as of December 31, 2017 |
|---|---|---|---|
| | | (in millions) | |
| **ASSETS:** | | | |
| **Derivatives designated as hedging instruments:** | | | |
| Foreign exchange currency contracts relating to inventory and intercompany management fee hedges | Prepaid expenses and other current assets | $ 0.5 | $ 2.9 |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign exchange currency contracts | Prepaid expenses and other current assets | 1.9 | 2.9 |
| | | $ 2.4 | $ 5.8 |
| **LIABILITIES:** | | | |
| **Derivatives designated as hedging instruments:** | | | |
| Foreign exchange currency contracts relating to inventory and intercompany management fee hedges | Other current liabilities | $ 4.8 | $ 4.0 |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign exchange currency contracts | Other current liabilities | 0.7 | 2.6 |
| | | $ 5.5 | $ 6.6 |

The Company's CVR liability is measured at fair value and consisted of Level 3 inputs. See Note 10,*Shareholders' Deficit*, for a further description of the CVR liability. The following is a reconciliation of the CVR liability reported in Other non-current liabilities within the Company's condensed consolidated balance sheet as of March 31, 2018:

| | Contingent Value Right |
|---|---|
| | (in millions) |
| Fair value as of December 31, 2017 | $ 6.9 |
| Net unrealized loss(1) | 11.3 |
| Fair value as of March 31, 2018 | $ 18.2 |

(1) Unrealized gains and losses related to the revaluation of the CVR are recorded in other expense, net within the Company's consolidated statements of income.

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are comprised of money market funds and foreign and domestic bank accounts. These cash and cash equivalents are valued based on Level 1 inputs which consist of quoted prices in active markets. To reduce its credit risk, the Company monitors the credit standing of the financial institutions that hold the Company's cash and cash equivalents.

The Company's deferred compensation plan assets consist of Company owned life insurance policies. As these policies are recorded at their cash surrender value, they are not required to be included in the fair value table above. See Note 6, *Employee Compensation Plans*, to the Consolidated Financial Statements included in the 2017 10-K for a further description of the Company's deferred compensation plan assets.

The following tables summarize the offsetting of the fair values of the Company's derivative assets and derivative liabilities for presentation in the Company's condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017:

| | Offsetting of Derivative Assets | | |
|---|---|---|---|
| | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Balance Sheet | Net Amounts of Assets Presented in the Balance Sheet |
| | | (in millions) | |
| **March 31, 2018** | | | |
| Foreign exchange currency contracts | $ 2.4 | $ (1.5) | $ 0.9 |
| Total | $ 2.4 | $ (1.5) | $ 0.9 |
| **December 31, 2017** | | | |
| Foreign exchange currency contracts | $ 5.8 | $ (4.3) | $ 1.5 |
| Total | $ 5.8 | $ (4.3) | $ 1.5 |

| | Offsetting of Derivative Liabilities | | |
|---|---|---|---|
| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Balance Sheet | Net Amounts of Liabilities Presented in the Balance Sheet |
| | | (in millions) | |
| **March 31, 2018** | | | |
| Foreign exchange currency contracts | $ 5.5 | $ (1.5) | $ 4.0 |
| Total | $ 5.5 | $ (1.5) | $ 4.0 |
| **December 31, 2017** | | | |
| Foreign exchange currency contracts | $ 6.6 | $ (4.3) | $ 2.3 |
| Total | $ 6.6 | $ (4.3) | $ 2.3 |

The Company offsets all of its derivative assets and derivative liabilities in its condensed consolidated balance sheet to the extent it maintains master netting arrangements with related financial institutions. As of March 31, 2018 and December 31, 2017, all of the Company's derivatives were subject to master netting arrangements and no collateralization was required for the Company's derivative assets and derivative liabilities.

**13. Detail of Certain Balance Sheet Accounts**

*Other Assets*

The Other assets on the Company's accompanying condensed consolidated balance sheets includes deferred compensation plan assets of $33.4 million and $33.6 million and deferred tax assets of $75.2 million and $77.5 million as of March 31, 2018 and December 31, 2017, respectively.

*Other Current Liabilities*

Other current liabilities consist of the following:

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (in millions) | |
| Accrued compensation | $ 98.7 | $ 117.3 |
| Accrued service fees to China independent service providers | 78.0 | 58.7 |
| Accrued advertising, events, and promotion expenses | 47.6 | 46.3 |
| Advance sales deposits | 75.5 | 65.2 |
| Income taxes payable | 13.6 | 25.7 |
| Other accrued liabilities | 150.3 | 145.7 |
| Total | $ 463.7 | $ 458.9 |

*Other Non-Current Liabilities*

The Other non-current liabilities on the Company's accompanying condensed consolidated balance sheets includes deferred compensation plan liabilities of $57.8 million and $58.1 million and deferred income tax liabilities of $7.6 million and $7.8 million as of March 31, 2018 and December 31, 2017, respectively. See Note 6, *Employee Compensation Plans*, to the Consolidated Financial Statements included in the 2017 10-K for a further description of the Company's deferred compensation plan assets and liabilities.

**14. Subsequent Events**

On April 18, 2018, the Company announced the commencement of a modified "Dutch auction" tender offer to purchase its common shares for an aggregate cash purchase price of up to $600 million and at a per share price not greater than $108.00 nor less than $98.00, net to the seller in cash, less any applicable tax withholding and without interest, upon the terms and subject to the conditions described in this tender offer. The preliminary closing date of this tender offer is May 24, 2018. The terms of this tender offer are subject to change pursuant to conditions set forth in this tender offer.

On April 24, 2018, the Company's shareholders approved a two-for-one stock split of the Company's common shares. On May 14, 2018, shareholders of record will receive one additional share for each share held as of May 7, 2018. All common shares subject to outstanding equity awards, as well as the number of common shares reserved for issuance under the Company's equity compensation plan, will be adjusted proportionately. Share and per share amounts herein have not been restated to reflect the pending stock split.

On a pro forma basis, the Company's historical earnings per share would be as follows:

| | Three Months Ended | |
|---|---|---|
| | **March 31, 2018** | **March 31, 2017** |
| | *(unaudited)* | |
| Basic earnings per share: | | |
| As reported | $ 1.13 | $ 1.03 |
| Pro forma | $ 0.57 | $ 0.51 |
| Diluted earnings per share: | | |
| As reported | $ 1.08 | $ 0.98 |
| Pro forma | $ 0.54 | $ 0.49 |

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included in Part I, Item 1 — Financial Information, of this Quarterly Report on Form 10-Q and our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2017, or the 2017 10-K. Unless the context otherwise requires, all references herein to the "Company," "we," "us" or "our," or similar terms, refer to Herbalife Nutrition Ltd., a Cayman Islands exempt limited liability company, and its consolidated subsidiaries.*

**Overview**

We are a global nutrition company that sells weight management, targeted nutrition, energy, sports & fitness, and outer nutrition products to and through independent members, or Members. In China, we sell our products to and through independent service providers, sales representatives, and sales officers to customers and preferred customers, as well as through Company-operated retail stores when necessary. We refer to Members that distribute our products and achieve certain qualification requirements as "sales leaders."

We pursue our purpose to make the world healthier and happier by providing high quality, science-based products to Members and their customers who seek a healthy lifestyle and we also offer a business opportunity to those Members who seek additional income. We believe the global obesity epidemic has made our products more relevant and the effectiveness of our distribution network has been the primary reason for our recent success.

Our products are grouped in four principal categories: weight management; targeted nutrition; energy, sports & fitness; and outer nutrition, along with literature and promotional items. Our products are often sold through a series of related products and literature designed to simplify weight management and nutrition for consumers and maximize our Members' cross-selling opportunities.

Industry-wide factors that affect us and our competitors include the global obesity epidemic, the aging of the worldwide population and rising public health care costs, which are driving demand for weight management, nutrition and wellness-related products along with the global increase in under employment and unemployment which can affect the recruitment and retention of Members seeking additional income opportunities.

While we continue to monitor the current global financial environment, we remain focused on the opportunities and challenges in retailing of our products, sponsoring and retaining Members, improving Member productivity, further penetrating existing markets, globalizing successful Distributor Methods of Operation, or DMOs, such as Nutrition Clubs and Weight Loss Challenges, introducing new products and globalizing existing products, developing niche market segments and further investing in our infrastructure.

We sell our products in six geographic regions:

- North America;
- Mexico;
- South and Central America;
- EMEA, which consists of Europe, the Middle East, and Africa;
- Asia Pacific (excluding China); and
- China.

On July 15, 2016, we reached a settlement with the FTC and entered into the Consent Order, which resolved the FTC's multi-year investigation of the Company. We are monitoring the impact of the Consent Order and our Board of Directors has established the Implementation Oversight Committee in connection with the Consent Order. The committee has met and will meet regularly with management to oversee our compliance with the terms of the Consent Order. While we currently do not expect the settlement to have a long-term and materially adverse impact on our business and our Member base, our business and our Member base, particularly in the U.S., may be negatively impacted as we and they adjust to the changes. The terms of the Consent Order do not change our going to market through direct selling by independent distributors, and compensating those distributors based upon the product they and their sales organization sell. See Item 1A — *Risk Factors* of this Quarterly Report on Form 10-Q for a discussion of risks related to the settlement with the FTC.

**Volume Points by Geographic Region**

A key non-financial measure we focus on is Volume Points on a Royalty Basis, or Volume Points, which is essentially our weighted-average measure of product sales volume. Volume Points, which are unaffected by exchange rates or price changes, are used by management as a proxy for sales trends because in general, excluding the impact of price changes, an increase in Volume Points in a particular geographic region or country indicates an increase in our local currency net sales while a decrease in Volume Points in a particular geographic region or country indicates a decrease in our local currency net sales. The criteria we use to determine how and when we recognize Volume Points are not identical to our revenue recognition policies under U.S. GAAP. Unlike net sales, which are generally recognized when the product is delivered and when control passes to the Member, as discussed in greater detail in Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, we recognize Volume Points when a Member pays for the order, which is generally prior to the product being delivered. Further, the periods in which Volume Points are tracked can vary slightly from the fiscal periods for which we report our results under U.S. GAAP. Therefore, there can be timing differences between the product orders for which net sales are recognized and for which Volume Points are recognized within a given period. However, historically these timing differences generally have been immaterial in the context of using changes in Volume Points as a proxy to explain volume-driven changes in net sales. Management is evaluating our current approach to assigning and maintaining Volume Point values for certain products or markets. Any changes to this approach may have an impact on the use of Volume Points as a proxy for sales trends in future periods.

Currently, the specific number of Volume Points assigned to a product, and generally consistent across all markets, is based on a Volume Point to suggested retail price ratio for similar products. If a product is available in different quantities, the various sizes will have different Volume Point values. In general, once assigned, a Volume Point value is consistent in each region and country and does not change from year to year. For strategic reasons, certain Volume Point values were adjusted during the three months ended March 31, 2018 for the Mexico and certain South & Central America markets. The reason Volume Points are used in the manner described above is that we use Volume Points for Member qualification and recognition purposes and therefore we generally keep Volume Points for a similar or like product consistent on a global basis. However, because Volume Points are a function of value rather than product type or size, they are not a reliable measure for product mix. As an example, an increase in Volume Points in a specific country or region could mean a significant increase in sales of less expensive products or a marginal increase in sales of more expensive products.

| | Three Months Ended | | |
|---|---|---|---|
| | March 31, 2018 | March 31, 2017 | % Change |
| | *(Volume Points in millions)* | | |
| North America | 303.2 | 302.6 | 0.2% |
| Mexico(1) | 221.8 | 225.4 | (1.6)% |
| South & Central America(2) | 148.5 | 153.3 | (3.1)% |
| EMEA | 294.7 | 274.2 | 7.5% |
| Asia Pacific | 286.6 | 260.8 | 9.9% |
| China | 141.1 | 182.0 | (22.5)% |
| Worldwide(3) | 1,395.9 | 1,398.3 | (0.2)% |

(1) Excluding Volume Point adjustments made during the three months ended March 31, 2018 for certain products, the percent change would have been a decrease of 3.3%.

(2) Excluding Volume Point adjustments made during the three months ended March 31, 2018 for certain products in certain markets, the percent change would have been a decrease of 4.0%.

(3) Excluding Volume Point adjustments made during the three months ended March 31, 2018 for certain products in Mexico and certain South & Central America markets, the percent change would have been a decrease of 0.5%.

Volume Points decreased 0.2% for the three months ended March 31, 2018 after having increased 1.4% for the same period in 2017. The Volume Point decline for the quarter was primarily driven by a significant decrease for China, a comparative result of the Member response to a price increase announced in March 2017 to be effective April 2017. This price increase announcement drove significant sales orders late in March 2017 as Members made purchases ahead of the price change. The North America region recorded a small Volume Point increase for 2018 after a decrease in the prior year, reflecting what we believe to be a transition through the impact of Member focus on the Consent Order implementation actions, including training on new tools and methods for documenting sales and time spent to then train their sales organizations. The Mexico region saw a 1.6% Volume Point decline after a previous year increase, attributable in part to the trailing impact of difficult economic conditions during 2017. The South & Central America region saw a continuing, though lesser, decline in Volume Points for 2018 as markets in the region continue to transition to sustainable, customer-oriented business practices. During the three months ended March 31, 2018, the Company adjusted Volume Point values upward for certain products in Mexico and certain South & Central America markets; revised Volume Point year-over-year percent changes are noted in the footnotes to the table above. The EMEA region saw continued Volume Point growth, a result, we believe, of successful focus on the quality and activity of sales leaders and customer-oriented initiatives. The Asia Pacific region continued to see positive net results across its markets. Results are discussed further below in the applicable sections of Sales by Geographic Region.

**Presentation**

*"Retail value"* represents the suggested retail price of products we sell to our Members and is the gross sales amount reflected on our invoices. Retail value is a Non-GAAP measure which may not be comparable to similarly-titled measures used by other companies. This is not the price paid to us by our Members. Our Members purchase product from us at a discount from the suggested retail price. We refer to these discounts as *"distributor allowance",* and we refer to retail value less distributor allowances as *"product sales."*

Total distributor allowances for the three months ended March 31, 2018 and 2017 were 40.4% and 40.5% of retail value, respectively. Distributor allowances and Marketing Plan payouts generally utilize 90% to 95% of suggested retail price, depending on the product and market, to which we apply discounts of up to 50% for distributor allowances and payout rates of up to 15% for royalty overrides, up to 7% for production bonuses, and approximately 1% for the Mark Hughes bonus. Distributor allowances as a percentage of retail value may vary by country depending upon regulatory restrictions that limit or otherwise restrict distributor allowances. We also offer reduced distributor allowances with respect to certain products worldwide. Each Member's level of discount is determined by qualification based on volume of purchases. In cases where a Member has qualified for less than the maximum discount, the remaining discount, which we also refer to as a wholesale commission, is received by their sponsoring Members. Therefore, product sales are recognized net of product returns and distributor allowances.

*"Net sales"* equal product sales plus shipping and handling, and generally represents what we collect.

We do not have visibility into all of the sales from our Members to their customers, but such a figure would differ from our reported "retail value" by factors including (a) the amount of product purchased by our Members for their own personal consumption and (b) prices charged by our Members to their customers other than our suggested retail prices. We discuss retail value because of its fundamental role in our systems, internal controls and operations, and its correlation to Member discounts and Royalty overrides. In addition, retail value is a component of the financial reports we use to analyze our financial results because, among other things, it can provide additional detail and visibility into our net sales results on a Company-wide and a geographic region and product category basis. Therefore, this non-GAAP measure may be useful to investors because it provides investors with the same information used by management. As this measure is not in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, retail value should not be considered in isolation from, nor as a substitute for, net sales and other consolidated income or cash flow statement data prepared in accordance with U.S. GAAP, or as a measure of profitability or liquidity. A reconciliation of retail value to net sales is presented below under *Results of Operations.*

Our international operations have provided and will continue to provide a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we also compare the percent change in net sales from one period to another period using "*net sales in local currency*". Net sales in local currency is not a U.S. GAAP financial measure. Net sales in local currency removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the local currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting net sales in local currency is useful to investors because it allows a meaningful comparison of net sales of our foreign operations from period to period. However, net sales in local currency measures should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

Additionally, the impact of foreign currency fluctuations in Venezuela and the price increases we implement as a result of the highly inflationary economy in that market can each, when considered in isolation, have a disproportionately large impact to our consolidated results despite the offsetting nature of these drivers and that net sales in Venezuela, which represent less than 1% of our consolidated net sales, are not material to our consolidated results. Therefore, in certain instances, we believe it is helpful to provide additional information with respect to these factors as reported and excluding the impact of Venezuela to illustrate the disproportionate nature of Venezuela's individual pricing and foreign exchange impact to our consolidated results. However, excluding the impact of Venezuela from these measures is not in accordance with U.S. GAAP and should not be considered in isolation or as an alternative to the presentation and discussion thereof calculated in accordance with U.S. GAAP.

Our *"gross profit"* consists of net sales less *"cost of sales,"* which represents our manufacturing costs, the price we pay to our raw material suppliers and manufacturers of our products as well as shipping and handling costs including duties, tariffs, and similar expenses.

While certain Members may profit from their activities by reselling our products for amounts greater than the prices they pay us, Members that develop, retain, and manage other Members may earn additional compensation for those activities, which we refer to as *"Royalty overrides."* Royalty overrides are our most significant operating expense and consist of:

- royalty overrides and production bonuses;
- the Mark Hughes bonus payable to some of our most senior Members; and
- other discretionary incentive cash bonuses to qualifying Members.

Royalty overrides are compensation to Members for the development, retention and improved productivity of their sales organizations and are paid to several levels of Members on each sale. Royalty overrides are compensation for services rendered to us and, as such, are recorded as an operating expense.

In China, our independent service providers are compensated for marketing, sales support, and other services instead of the distributor allowances and royalty overrides utilized in our global marketing plan. Service fees to China independent service providers are included in selling, general, and administrative expenses.

Because of local country regulatory constraints, we may be required to modify our Member incentive plans as described above. We also pay reduced royalty overrides with respect to certain products worldwide. Consequently, the total Royalty override percentage may vary over time.

Our *"contribution margins"* consist of net sales less cost of sales and Royalty overrides.

*"Selling, general, and administrative expenses"* represent our operating expenses, which include labor and benefits, service fees to China service providers, sales events, professional fees, travel and entertainment, Member promotions, occupancy costs, communication costs, bank fees, depreciation and amortization, foreign exchange gains and losses, and other miscellaneous operating expenses.

Our "*other operating income*" consists of government grant income related to China.

Our *"other expense, net"* consists of non-operating income and expenses such as gains or losses on extinguishment of debt and gains or losses due to subsequent changes in the fair value of the non-transferable contractual contingent value right, or CVR, provided for each share tendered in the October 2017 modified Dutch auction tender offer. See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on the CVR.

Most of our sales to Members 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 contribution margins and can generate foreign currency losses on intercompany transactions. Foreign currency exchange rates can fluctuate significantly. From time to time, we enter into foreign currency derivatives to partially mitigate our foreign currency exchange risk as discussed in further detail in Part I, Item 3 — *Quantitative and Qualitative Disclosures about Market Risk.*

**Summary Financial Results**

Net sales for the three months ended March 31, 2018 were $1,176.9 million. Net sales increased $74.8 million, or 6.8% ($70.7 million, or 6.4% excluding Venezuela), for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 7.5% (1.4% excluding Venezuela) for the three months ended March 31, 2018, as compared to the same period in 2017. The increase in net sales of 6.8% for the three months ended March 31, 2018 was primarily driven by a 9.1% favorable impact of price increases (2.9% excluding Venezuela); partially offset by a 0.8% unfavorable impact of fluctuations in foreign currency rates (5.1% favorable impact excluding Venezuela) and a 0.5% unfavorable impact of country sales mix.

Net income for the three months ended March 31, 2018 was $82.1 million, or $1.08 per diluted share. Net income decreased $3.1 million, or 3.6%, for the three months ended March 31, 2018. The decrease in net income for the three months ended March 31, 2018 was due to an $11.3 million loss on valuation of the CVR (See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q); a $13.1 million loss on the extinguishment of $475.0 million of our 2019 Convertible Notes (See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q); higher selling, general, and administrative expenses; higher interest expense; partially offset by higher contribution margin from higher net sales; higher government grant income from China; and lower income taxes.

Net income for the three months ended March 31, 2018 included a $16.2 million pre-tax favorable impact ($10.4 million post-tax) of government grant income in China; a $12.5 million pre-tax unfavorable impact ($12.2 million post-tax) of non-cash interest expense related to the 2019 Convertible Notes, 2024 Convertible Notes, and the Forward Transactions (See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q); a $2.3 million pre-tax unfavorable impact ($2.1 million post-tax) from expenses related to regulatory inquiries; a $4.7 million pre-tax unfavorable impact ($3.1 million post-tax) of foreign exchange losses related to Venezuela; a $13.1 million pre-tax unfavorable impact ($9.4 million post-tax) of loss on extinguishment of $475.0 million of our 2019 Convertible Notes; and an $11.3 million pre-tax unfavorable impact ($8.0 million post-tax) of loss on valuation of the CVR.

The income tax impact of the expenses discussed above is based on forecasted items affecting our 2018 full year effective tax rate. Adjustments to forecasted items unrelated to these expenses, as well as impacts related to interim reporting, will have an effect on the income tax impact of these items in subsequent periods.

Net income for the three months ended March 31, 2017 included a $12.6 million unfavorable impact of non-cash interest expense related to the 2019 Convertible Notes and the Forward Transactions (See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q); a $3.8 million pre-tax unfavorable impact ($2.5 million post-tax) from expenses related to regulatory inquiries; a $1.5 million pre-tax unfavorable impact ($1.1 million post-tax) related to legal, advisory services, and other expenses for our response to allegations and other negative information put forward in the marketplace by a hedge fund manager which started in late 2012; and an $8.5 million pre-tax unfavorable impact ($5.7 million post-tax) from expenses related to the implementation of the Consent Order.

**Results of Operations**

Our results of operations for the periods below are not necessarily indicative of results of operations for future periods, which depend upon numerous factors, including our ability to sponsor Members and retain sales leaders, further penetrate existing markets, introduce new products and programs that will help our Members increase their retail efforts and develop niche market segments.

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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| **Operations:** | | |
| Net sales | 100.0% | 100.0% |
| Cost of sales | 20.4 | 18.6 |
| Gross profit | 79.6 | 81.4 |
| Royalty overrides(1) | 28.7 | 28.6 |
| Selling, general, and administrative expenses(1) | 39.1 | 39.8 |
| Other operating income | (1.4) | — |
| Operating income | 13.2 | 13.0 |
| Interest expense, net | 3.4 | 2.7 |
| Other expense, net | 2.0 | — |
| Income before income taxes | 7.8 | 10.3 |
| Income taxes | 0.8 | 2.6 |
| Net income | 7.0% | 7.7% |

(1) Service fees to our independent service providers in China are included in selling, general, and administrative expenses while Member compensation for all other countries is included in Royalty overrides.

**Reporting Segment Results**

We aggregate our operating segments, excluding China, into a reporting segment, or the Primary Reporting Segment. The Primary Reporting Segment includes the North America, Mexico, South & Central America, EMEA, and Asia Pacific regions. China has been identified as a separate reporting segment as it does not meet the criteria for aggregation. See Note 6, *Segment Information*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion of our reporting segments. See below for discussions of net sales and contribution margin by our reporting segments.

***Net Sales by Reporting Segment***

The Primary Reporting Segment reported net sales of $964.7 million for the three months ended March 31, 2018, representing an increase of $78.2 million, or 8.8% ($74.1 million, or 8.4% excluding Venezuela), for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 11.6% (3.9% excluding Venezuela) for the three months ended March 31, 2018, as compared to the same period in 2017. The 8.8% increase in net sales was primarily due to a 10.3% favorable impact of price increases (2.6% excluding Venezuela) and an increase in sales volume, as indicated by a 3.2% increase in Volume Points; partially offset by a 2.8% unfavorable impact of fluctuations in foreign currency rates (4.4% favorable impact excluding Venezuela) and a 0.9% unfavorable impact of country sales mix.

For a discussion of China's net sales for the three months ended March 31, 2018, see the China section of *Sales by Geographic Region* below.

***Contribution Margin by Reporting Segment***

As discussed above under "Presentation," contribution margin consists of net sales less cost of sales and Royalty overrides.

The Primary Reporting Segment reported contribution margin of $414.3 million, or 42.9% of net sales, representing an increase of $27.7 million, or 7.2% ($24.9 million, or 6.5% excluding Venezuela), for the three months ended March 31, 2018, as compared to the same period in 2017. The 7.2% increase for the three months ended March 31, 2018 was primarily the result of a 15.7% favorable impact of price increases (4.1% excluding Venezuela) and a 5.4% favorable impact of volume increases; partially offset by a 7.4% unfavorable impact of fluctuations in foreign currency rates (4.1% favorable impact excluding Venezuela), a 2.4% unfavorable impact of country sales mix, a 1.5% unfavorable impact of cost changes related to self-manufacturing and strategic sourcing, and a 1.5% unfavorable impact of higher inventory write-downs.

China reported contribution margin of $185.4 million, representing a decrease of $10.4 million, or 5.3%, for the three months ended March 31, 2018, as compared to the same period in 2017. The decrease of 5.3% for the three months ended March 31, 2018 was primarily due to a decline in sales volume which reduced contribution margin by 23.2%; partially offset by favorable fluctuations in foreign currency rates, price increases, and timing difference between recognition of net sales and sales volume, which increased contribution margin by approximately 6.0%, 4.7%, and 8.5%, respectively.

**Sales by Geographic Region**

The following chart reconciles retail value to net sales by geographic region:

| | Three Months Ended | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2018 | | | | | March 31, 2017 | | | | | |
| | Retail Value(1) | Distributor Allowance | Product Sales | Shipping & Handling | Net Sales | Retail Value(1) | Distributor Allowance | Product Sales | Shipping & Handling | Net Sales | % Change in Net Sales |
| | (Dollars in millions) | | | | | | | | | | |
| North America | $ 382.9 | $ (174.4) | $ 208.5 | $ 22.7 | $ 231.2 | $ 386.0 | $ (178.8) | $ 207.2 | $ 22.6 | $ 229.8 | 0.6% |
| Mexico | 196.7 | (89.6) | 107.1 | 6.9 | 114.0 | 180.1 | (81.6) | 98.5 | 6.3 | 104.8 | 8.8% |
| South & Central America | 213.4 | (95.9) | 117.5 | 8.2 | 125.7 | 212.9 | (98.8) | 114.1 | 8.3 | 122.4 | 2.7% |
| EMEA | 422.5 | (189.0) | 233.5 | 14.7 | 248.2 | 361.2 | (163.9) | 197.3 | 12.5 | 209.8 | 18.3% |
| Asia Pacific | 419.8 | (182.5) | 237.3 | 8.3 | 245.6 | 374.6 | (161.8) | 212.8 | 6.9 | 219.7 | 11.8% |
| China | 235.2 | (24.2) | 211.0 | 1.2 | 212.2 | 240.4 | (25.9) | 214.5 | 1.1 | 215.6 | (1.6)% |
| Worldwide | $ 1,870.5 | $ (755.6) | $ 1,114.9 | $ 62.0 | $ 1,176.9 | $ 1,755.2 | $ (710.8) | $ 1,044.4 | $ 57.7 | $ 1,102.1 | 6.8% |

(1) Retail value is a Non-GAAP measure which may not be comparable to similarly-titled measures used by other companies. See “Presentation” above for a discussion of how we calculate retail value and why we believe the measure is useful to investors.

Changes in net sales are directly associated with the retailing of our products, recruitment of new Members, and retention of sales leaders. Our strategies involve providing quality products, improved DMOs, including daily consumption approaches such as Nutrition Clubs, easier access to product, systemized training and education of Members on our products and methods, and continued promotion and branding of Herbalife products.

Management’s role, in-country and at the region and corporate level, is to provide Members with a competitive, broad, and innovative product line, offer leading edge business tools and technology services, and encourage strong teamwork and Member leadership to make doing business with Herbalife simple. Management uses the Marketing Plan, which reflects the rules for our global network marketing organization that specify the qualification requirements and general compensation structure for Members, coupled with educational and motivational tools and promotions to encourage Members to increase retailing, retention, and recruiting, which in turn affect net sales. Such tools include sales events such as Extravaganzas, Leadership Development Weekends and World Team Schools where large groups of Members gather, thus allowing them to network with other Members, learn retailing, retention, and recruiting techniques from our leading Members and become more familiar with how to market and sell our products and business opportunities. Accordingly, management believes that these development and motivation programs increase the productivity of the sales leader network. The expenses for such programs are included in selling, general, and administrative expenses. We also use event and non-event product promotions to motivate Members to increase retailing, retention, and recruiting activities. These promotions have prizes ranging from qualifying for events to product prizes and vacations. A program that we have seen success with is the Member Activation Program, under which new Members, who order a modest number of Volume Points in each of their first three months, earn a prize. Our objective is to improve the quality of sales leaders by encouraging new Members to begin acquiring retail customers before attempting to qualify for sales leader status.

DMOs are being generated in many of our markets and are globalized where applicable through the combined efforts of Members and country, regional and corporate management. While we support a number of different DMOs, one of the most popular DMOs is the daily consumption DMO. Under our traditional DMO, a Member typically sells to its customers on a somewhat infrequent basis (e.g., monthly) which provides fewer opportunities for interaction with their customers. Under a daily consumption DMO, a Member interacts with its customers on a more frequent basis, including such activities as weekly weigh-ins, which enables the Member to better educate and advise customers about nutrition and the proper use of the products and helps promote daily usage as well, thereby helping the Member grow his or her business. Specific examples of DMOs include the Nutrition Club concept in Mexico, the Healthy Breakfast concept in Russia, and the Internet/Sampling and Weight Loss Challenge in the United States. Management's strategy is to review the applicability of expanding successful country initiatives throughout a region, and where appropriate, support the globalization of these initiatives.

The factors described above help Members increase their business, which in turn helps drive Volume Point growth in our business, and thus, net sales growth. The discussion below of net sales details some of the specific drivers of changes in our business and causes of sales fluctuations during the three months ended March 31, 2018, as compared to the same period in 2017, as well as the unique growth or contraction factors specific to certain geographic regions or significant countries within a region during these periods. Net sales fluctuations, both Company-wide and within a particular geographic region or country, are primarily the result of changes in volume, changes in prices, and/or changes in foreign currency translation rates. The discussion of changes in net sales quantifies the impact of those drivers that are quantifiable such as changes in foreign currency translation rates, and cites the estimated impact of any significant price changes. The remaining drivers, which management believes are the primary drivers of changes in volume, are typically qualitative factors whose impact cannot be quantified. We use Volume Points as an indication for changes in sales volume. Management is evaluating our current approach to assigning and maintaining Volume Point values for certain products or markets. Any changes to this approach may have an impact on the use of Volume Points as a proxy for sales trends in future periods.

***North America***

The North America region reported net sales of $231.2 million for the three months ended March 31, 2018. Net sales increased $1.4 million, or 0.6%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 0.5% for the three months ended March 31, 2018, as compared to the same period in 2017. The 0.6% increase in net sales for the North America region for the three months ended March 31, 2018 was primarily the result of price increases in the U.S. of approximately 3% effective in March 2018. Sales volume, as indicated by Volume Points, was comparable to the prior year quarter. In the U.S., net sales were $225.5 million for the three months ended March 31, 2018. Net sales increased $0.8 million, or 0.4%, for the three months ended March 31, 2018, as compared to the same period in 2017.

As part of the Consent Order, effective May 2017 we have implemented certain new procedures and enhanced certain existing procedures in the United States. We believe North America's sales volume declines in recent quarters, prior to a modest increase for this quarter, reflect the transitionary impact of Member focus on Consent Order implementation actions, including training on new tools and methods for documenting sales and time spent to then train their sales organizations. Similar to the transitionary impact that occurred as a result of Marketing Plan changes made in 2014, we do not expect the Consent Order to have a long-term material adverse impact on our net sales in the North America region or on our Member base. North America has implemented programs to encourage sponsorship and increase Distributor, Preferred Member, and customer activity and has continued to extend the product line.

***Mexico***

The Mexico region reported net sales of $114.0 million for the three months ended March 31, 2018. Net sales increased $9.2 million, or 8.8%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 0.4% for the three months ended March 31, 2018, as compared to the same period in 2017. The 8.8% increase in net sales for the three months ended March 31, 2018 was primarily the result of a favorable fluctuation in foreign currency exchange rates and price increases, which contributed approximately 8.3% and 6.2% to net sales, respectively. These increases were partially offset by a 0.8% unfavorable impact of sales mix and a decrease in sales volume, as indicated by a 1.6% decrease in Volume Points (3.3% excluding the impact of the Volume Point adjustments noted above in the *Volume Points by Geographic Region* section).

We believe the Volume Point decline for the three months ended March 31, 2018, after an increase for the same period in 2017, was attributable to a trailing impact of difficult economic conditions during 2017. Following inception of our Member Activation Program, designed to enhance the quality of sales leaders, we have seen a higher level of activity among new Members. We continue to expand product access in the market.

***South and Central America***

The South and Central America region reported net sales of $125.7 million for the three months ended March 31, 2018. Net sales increased $3.3 million, or 2.7% (decreased $0.8 million, or 0.6% excluding Venezuela), for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 57.3% (1.5% excluding Venezuela) for the three months ended March 31, 2018, as compared to the same period in 2017. The 2.7% increase in net sales was primarily due to a 59.8% favorable impact of price increases (4.4% excluding Venezuela); substantially offset by a 54.6% unfavorable impact of fluctuations in foreign currency exchange rates (2.2% excluding Venezuela) and a decline in sales volume, as indicated by a 3.1% decrease in Volume Points (4.0% excluding the impact of the Volume Point Adjustments noted above in the *Volume Points by Geographic Region* section).

In Brazil, the region's largest market, net sales were $45.8 million for the three months ended March 31, 2018. Net sales decreased $5.6 million, or 10.8%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales decreased 8.1% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had an unfavorable impact of $1.4 million on net sales for the three months ended March 31, 2018. Marketing Plan changes intended to build more sustainable business for our Members through a focus on daily product consumption and retailing are taking hold more slowly than we have seen in other regions. Additionally, Members in Brazil saw their product costs increase during the quarter when we began to pass through certain indirect taxes that we had previously absorbed. To help stimulate sales growth, we are increasing the number of product access points, enhancing our training efforts, and expanding our product offering in the market.

Net sales in Peru were $16.7 million for the three months ended March 31, 2018. Net sales increased $0.7 million, or 4.3%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 2.6% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $0.3 million on net sales for the three months ended March 31, 2018. The favorable comparison for this year's quarter was due to lower sales volume in the prior year quarter, which we believe was due to severe inclement weather.

***EMEA***

The EMEA region reported net sales of $248.2 million for the three months ended March 31, 2018. Net sales increased $38.4 million, or 18.3%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 6.9% for the three months ended March 31, 2018, as compared to the same period in 2017. The 18.3% increase in net sales for the three months ended March 31, 2018 was driven by an 11.4% favorable impact of fluctuations in foreign currency exchange rates, an increase in sales volume, as indicated by a 7.5% increase in Volume Points, and a 2.7% favorable impact of price increases. These increases in net sales were partially offset by an unfavorable change in country sales mix resulting from a lower percentage of our sales volume coming from markets with higher prices, which reduced net sales by approximately 2.2%. Though the EMEA region is made up of a large number of markets with different characteristics and levels of success, generally we believe volume growth for the region is correlated with programs that have enhanced the quality and activity of sales leaders as they continue to focus on customer-oriented initiatives.

Net sales in Italy were $37.3 million for the three months ended March 31, 2018. Net sales increased $4.0 million, or 12.1%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales decreased 2.9% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $5.0 million on net sales for the three months ended March 31, 2018. Italy has seen some decline in Members after several years of growth. To help stimulate sales growth, we have revised certain Member promotions and training to be targeted for the market.

Net sales in Russia were $35.4 million for the three months ended March 31, 2018. Net sales increased $3.5 million, or 10.8%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 7.4% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $1.1 million on net sales for the three months ended March 31, 2018. The market continues to focus on expansion of Nutrition Clubs and the use of the Member Activation Program to attract and enhance the quality of new Members. The market has had success with new products, including a dinner shake, new training and communication approaches, and a program to re-activate former Members.

Net sales in Spain were $29.9 million for the three months ended March 31, 2018. Net salesincreased $6.7 million, or 28.9%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 11.8% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $4.0 million on net sales for the three months ended March 31, 2018. Product prices in Spain were increased 2% in July 2017. Spain has benefited from ongoing programs of promotions and sponsorships that have raised brand awareness through healthy active lifestyle.

***Asia Pacific***

The Asia Pacific region, which excludes China, reported net sales of $245.6 million for the three months ended March 31, 2018. Net sales increased $25.9 million, or 11.8%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 7.6% for the three months ended March 31, 2018, as compared to the same period in 2017. The 11.8% increase in net sales for the three months ended March 31, 2018 was primarily the result of an increase in sales volume, as indicated by a 9.9% increase in Volume Points, a 4.0% favorable impact of fluctuations in foreign currency exchange rates, and a 1.5% favorable impact of price increases. These increases to net sales were partially offset by an unfavorable change in country sales mix resulting from a lower percentage of our sales volume coming from markets with higher prices, which reduced net sales by approximately 3.2%. The Volume Point and net sales performance for the region has been mixed by country, with continuing increases in Indonesia and India as well as significant contributions from Vietnam and Malaysia, offset by declines primarily in South Korea and Taiwan.

Net sales in India were $54.3 million for the three months ended March 31, 2018. Net sales increased $13.0 million, or 31.4%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 26.2% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $2.2 million on net sales for the three months ended March 31, 2018. India continues to expand its product line, add product pickup locations for Members, and utilize an Associate Activation Program.

Net sales in Indonesia were $35.5 million for the three months ended March 31, 2018. Net sales increased $2.3 million, or 6.9%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales increased 8.6% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had an unfavorable impact of $0.6 million on net sales for the three months ended March 31, 2018. The Indonesia market has continued to strengthen by focusing on a customer-based business and daily consumption through Nutrition Clubs, training activities, new products, and increased product access points.

Net sales in South Korea were $32.7 million for the three months ended March 31, 2018. Net sales decreased $1.9 million, or 5.5%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales decreased 12.3% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $2.3 million on net sales for the three months ended March 31, 2018. Several years of transitionary impact from Marketing Plan changes, including certain changes unique to South Korea, have led to contraction in our business in the market.

Net sales in Taiwan were $28.3 million for the three months ended March 31, 2018. Net sales decreased $2.2 million, or 7.2%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales decreased 12.7% for the three months ended March 31, 2018, as compared to the same period in 2017. The fluctuation of foreign currency rates had a favorable impact of $1.7 million on net sales for the three months ended March 31, 2018. Taiwan sales declines have continued as the market continues to adjust to programs and training intended to help Members establish customer-based, sustainable business approaches.

***China***

The China region reported net sales of $212.2 million for the three months ended March 31, 2018. Net sales decreased $3.4 million, or 1.6%, for the three months ended March 31, 2018, as compared to the same period in 2017. In local currency, net sales decreased 9.2% for the three months ended March 31, 2018, as compared to the same period in 2017. The 1.6% decrease in net sales for the three months ended March 31, 2018 was primarily the result of a decline in sales volume, as indicated by a 22.5% decrease in Volume Points; partially offset by timing differences between the recognition of net sales and Volume Points, a favorable fluctuation in foreign currency exchange rates, and price increases which increased net sales by approximately 7.8%, 7.7%, and 4.3%, respectively.

The significant decrease in volume for the quarter versus the prior year quarter, net of the noted timing difference, was primarily driven by Member response to a price increase announced in March 2017 to be effective April 2017. This price increase announcement drove significant sales orders late in March 2017 as Members made purchases ahead of the price change. However, a significant portion of the pull-forward sales volume was not recorded as net sales until the second quarter of 2017. Actions for the market which we believe position us for continued success include a Member Activation Program for new members, new products for the market, and active promotional campaigns. We have also announced a new initiative, the China Growth and Impact Investment Program, to stimulate the development of our business in China and help address challenging public-policy issues such as the rise in obesity.

**Sales by Product Category**

| | Three Months Ended | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | March 31, 2018 | | | | | March 31, 2017 | | | | | |
| | Retail Value(2) | Distributor Allowance | Product Sales | Shipping & Handling | Net Sales | Retail Value(2) | Distributor Allowance | Product Sales | Shipping & Handling | Net Sales | % Change in Net Sales |
| | (Dollars in millions) | | | | | | | | | | |
| Weight Management | $ 1,215.6 | $ (501.2) | $ 714.4 | $ 40.3 | $ 754.7 | $ 1,144.2 | $ (474.0) | $ 670.2 | $ 37.6 | $ 707.8 | 6.6% |
| Targeted Nutrition | 468.6 | (193.2) | 275.4 | 15.5 | 290.9 | 431.5 | (178.7) | 252.8 | 14.2 | 267.0 | 9.0% |
| Energy, Sports, and Fitness | 113.9 | (47.0) | 66.9 | 3.8 | 70.7 | 102.5 | (42.5) | 60.0 | 3.4 | 63.4 | 11.5% |
| Outer Nutrition | 37.5 | (15.5) | 22.0 | 1.2 | 23.2 | 40.4 | (16.7) | 23.7 | 1.3 | 25.0 | (7.2)% |
| Literature, Promotional, and Other(1) | 34.9 | 1.3 | 36.2 | 1.2 | 37.4 | 36.6 | 1.1 | 37.7 | 1.2 | 38.9 | (3.9)% |
| Total | $ 1,870.5 | $ (755.6) | $ 1,114.9 | $ 62.0 | $ 1,176.9 | $ 1,755.2 | $ (710.8) | $ 1,044.4 | $ 57.7 | $ 1,102.1 | 6.8% |

(1) Product buybacks and returns in all product categories are included in the Literature, Promotional, and Other category.
(2) Retail value is a Non-GAAP measure which may not be comparable to similarly-titled measures used by other companies. See "Presentation" above for a discussion of how we calculate retail value and why we believe the measure is useful to investors.

Net sales for all product categories, except Outer Nutrition and Literature, Promotional, and Other, increased for the three months ended March 31, 2018 as compared to the same period in 2017. The trends and business factors described in the above discussions of the individual geographic regions apply generally to all product categories.

**Gross Profit**

Gross profit was $937.0 million for the three months ended March 31, 2018, as compared to $897.5 million for the same period in 2017. Gross profit as a percentage of net sales was 79.6% for the three months ended March 31, 2018, as compared to 81.4% for the same period in 2017, or an unfavorable net decrease of 182 basis points. The change in the gross profit rate for the three months ended March 31, 2018, as compared to the same period in 2017, included the unfavorable impact of foreign currency fluctuations of 155 basis points (33 basis points excluding Venezuela), unfavorable cost changes related to self-manufacturing and strategic sourcing of 76 basis points, higher inventory write-downs of 56 basis points, other cost changes of 54 basis points, and country mix of 31 basis points, partially offset by the favorable impact of retail price increases of 190 basis points (61 basis points excluding Venezuela). The net favorable impact of foreign currency fluctuations and retail price increases in Venezuela was 7 basis points. Generally, gross profit as a percentage of net sales may vary from period to period due to the impact of foreign currency fluctuations, changes in country mix as volume changes among countries with varying margins, retail price increases, cost changes related to self-manufacturing and strategic sourcing, and inventory write-downs.

**Royalty Overrides**

Royalty overrides were $337.3 million for the three months ended March 31, 2018, as compared to $315.1 million for the same period in 2017. Royalty overrides as a percentage of net sales were 28.7% for the three months ended March 31, 2018, as compared to 28.6% for the same period in 2017. Service fees to our independent service providers in China are included in selling, general, and administrative expenses while Member compensation for all other countries is included in Royalty overrides. Generally, Royalty overrides as a percentage of net sales may vary 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 and in certain countries.

**Selling, General, and Administrative Expenses**

Selling, general, and administrative expenses were $460.1 million for the three months ended March 31, 2018, as compared to $438.6 million for the same period in 2017. Selling, general, and administrative expenses as a percentage of net sales were 39.1% for the three months ended March 31, 2018, as compared to 39.8% for the same period in 2017.

The increase in selling, general, and administrative expenses for the three months ended March 31, 2018 was driven by $5.6 million in higher Member promotion and event costs; $6.5 million in higher foreign exchange losses, which includes $4.7 million impact of the devaluation of the Venezuela Bolivar in 2018; $2.4 million in higher professional fees; $5.6 million relating to importer fees due to the change in income statement classification pursuant to Accounting Standards Codification Topic 606, as discussed in Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q; partially offset by $2.7 million in lower non-income tax expense.

**Other Operating Income**

Other operating income was $16.2 million for the three months ended March 31, 2018. There was no other operating income for the same period in 2017. Other operating income for the three months ended March 31, 2018 relates to government grant income for China. See Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

**Interest Expense, Net**

Interest expense, net is as follows:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| | *(in millions)* | |
| Interest expense | $ 44.6 | $ 32.5 |
| Interest income | (4.7) | (2.3) |
| Interest expense, net | $ 39.9 | $ 30.2 |

The increase in interest expense, net for the three months ended March 31, 2018, as compared to the same period in 2017, was primarily due to higher interest rates and increased borrowing amounts relating to our new $1.45 billion senior secured credit facility, which includes a $1.3 billion term loan B, that was entered into on February 15, 2017 as discussed further below in *Liquidity and Capital Resources*. These increases were partially offset by higher interest income related to proceeds from the $1.3 billion term loan B.

**Other Expense, Net**

The $24.4 million of other expense, net for the three months ended March 31, 2018 consists of a $11.3 million loss on the revaluation of the CVR provided to the participants of the modified Dutch auction tender offer that closed in October 2017 (See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q); and a $13.1 million loss on the extinguishment of $475.0 million aggregate principal amount of our 2019 Convertible Notes (See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q).

**Income Taxes**

Income taxes were $9.4 million for the three months ended March 31, 2018, as compared to $28.4 million for the same period in 2017. The effective income tax rate was 10.3% for the three months ended March 31, 2018, as compared to 25.0% for the same period in 2017. The decrease in the effective tax rate for the three months ended March 31, 2018, as compared to the same period in 2017, was primarily due to the increase in net benefits from discrete events, in addition to the impact of changes in the geographic mix of our income. Included in the discrete events for the three months ended March 31, 2018 and 2017 was the impact of $19.4 million and $4.3 million, respectively, of excess tax benefits on share-based compensation arrangements.

**Liquidity and Capital Resources**

We have historically met our working capital and capital expenditure requirements, including funding for expansion of operations, through net cash flows provided by operating activities. Variations in sales of our products directly affect the availability of funds. There are no material contractual restrictions on our ability to transfer and remit funds among our international affiliated companies. However, there are foreign currency restrictions in certain countries which could reduce our ability to timely obtain U.S. dollars. Even with these restrictions, we believe we will have sufficient resources, including cash flow from operating activities and access to capital markets, to meet debt service obligations in a timely manner and be able to continue to meet our objectives.

Historically, our debt has not resulted from the need to fund our normal operations, but instead has resulted primarily from our share repurchase programs. Since inception in 2007, total share repurchases amounted to approximately $3.9 billion. While a significant net sales decline could potentially affect the availability of funds, many of our largest expenses are variable in nature, which we believe protects our funding in all but a dramatic net sales downturn. Our $1,330.2 million cash and cash equivalents and our senior secured credit facility, in addition to cash flow from operations, can be used to support general corporate purposes, including, any future share repurchases, dividends, and strategic investment opportunities.

We have a cash pooling arrangement with a financial institution for cash management purposes. This cash pooling arrangement allows certain of our participating subsidiaries to withdraw cash from this financial institution based upon our aggregate cash deposits held by subsidiaries who participate in the cash pooling arrangement. We did not owe any amounts to this financial institution under the pooling arrangement as of March 31, 2018 and December 31, 2017.

For the three months ended March 31, 2018, we generated $156.2 million of operating cash flow, as compared to $175.5 million for the same period in 2017. The decrease in our operating cash flow was the result of unfavorable changes in operating assets and liabilities, and lower net income (See *Summary Financial Results* above for further discussion), partially offset by higher non-cash items. The change in operating assets and liabilities was primarily the result of unfavorable changes in prepaid expenses and other current assets, and other current liabilities; partially offset by a favorable change in receivables and accounts payable. The increase in non-cash items was primarily the result of the $13.1 million loss on the extinguishment of $475.0 million aggregate principal of our 2019 Convertible Notes; the $11.3 million loss on the revaluation of the CVR; higher deferred income taxes; and higher inventory write-downs. The $13.1 million loss on the extinguishment of $475.0 million aggregate principal of our 2019 Convertible Notes and the $11.3 million loss on the revaluation of the CVR had no impact on our operating cash flow, as these decreased our net income by $24.4 million, and increased our non-cash adjustments to net income by $24.4 million.

Capital expenditures, including accrued capital expenditures, for the three months ended March 31, 2018 and 2017 were $14.6 million and $18.5 million, respectively. The majority of these expenditures represented investments in management information systems including initiatives to develop web-based Member tools. We expect to incur total capital expenditures of approximately $110 million to $140 million for the full year of 2018.

In March 2018, we hosted our annual global Herbalife Honors event in Los Angeles, California where sales leaders from around the world met and shared best practices, conducted leadership training, and our management awarded Members $64.8 million of Mark Hughes bonus payments related to their 2017 performance. In March 2017, our management awarded Members $65.2 million of Mark Hughes bonus payments related to their 2016 performance.

***Senior Secured Credit Facility***

On February 15, 2017, we entered into a new $1,450.0 million senior secured credit facility, or the Credit Facility, consisting of a $1,300.0 million term loan B, or the Term Loan, and a $150.0 million revolving credit facility, or the Revolving Credit Facility, with a syndicate of financial institutions as lenders, or Lenders. The Revolving Credit Facility matures on February 15, 2022 and the Term Loan matures on February 15, 2023. However, if the outstanding principal on the 2019 Convertible Notes, as defined below, exceeds $250.0 million and we exceed certain leverage ratios on February 14, 2019, the Revolving Credit Facility will mature on such date. In addition, if the outstanding principal on the 2019 Convertible Notes, as defined below, exceeds $250.0 million and we exceed certain leverage ratios on May 16, 2019, the Term Loan will mature on such date. The Credit Facility is secured by the equity interests of certain of Herbalife Nutrition Ltd.'s subsidiaries and substantially all of the assets of the domestic loan parties. The Credit Facility was amended, effective March 16, 2018, to make certain technical amendments in connection with the offering of the 2024 Convertible Notes, as defined below.

The Credit Facility requires us to comply with a leverage ratio. In addition, the Credit Facility contains customary events of default and covenants, including covenants that limit or restrict our ability to incur liens, incur indebtedness, make investments, dispose of assets, make certain restricted payments, pay dividends, repurchase our common shares, merge or consolidate and enter into certain transactions with affiliates. We are also required to maintain a minimum balance of $200.0 million of consolidated cash and cash equivalents. As of March 31, 2018 and December 31, 2017, we were in compliance with our debt covenants under the Credit Facility.

The Term Loan is payable in consecutive quarterly installments each in an aggregate principal amount of $24.4 million which began on June 30, 2017. Interest is due at least quarterly on amounts outstanding on the Credit Facility. In addition, we may be required to make mandatory prepayments towards the Term Loan based on our consolidated leverage ratio and annual excess cash flows as defined under the terms of the Credit Facility. We are also permitted to make voluntary prepayments. These prepayments, if any, will be applied against remaining quarterly installments owed under the Term Loan in order of maturity with the remaining principal due upon maturity.

During the three months ended March 31, 2018, we repaid a total amount of $24.4 million under the Credit Facility. During the three months ended March 31, 2017, we repaid a total amount of $410.0 million to repay in full amounts outstanding on our prior revolving credit facility. As of March 31, 2018 and December 31, 2017, the U.S. dollar amount outstanding under the Term Loan was $1,202.5 million and $1,226.9 million, respectively. There were no borrowings outstanding on the Revolving Credit Facility as of March 31, 2018 and December 31, 2017. There were no outstanding foreign currency borrowings as of March 31, 2018 and December 31, 2017 under the Credit Facility. As of March 31, 2018 and December 31, 2017, the weighted-average interest rate for borrowings under the Credit Facility was 7.15% and 6.79%, respectively.

See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on our Credit Facility.

***Convertible Senior Notes due 2019***

During February 2014, we issued $1.15 billion aggregate principal amount of convertible senior notes due 2019, or the 2019 Convertible Notes. The 2019 Convertible Notes are senior unsecured obligations which rank effectively subordinate to any of our existing and future secured indebtedness, including amounts outstanding under the Credit Facility, to the extent of the value of the assets securing such indebtedness. The 2019 Convertible Notes pay interest at a rate of 2.00% per annum payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2014. The 2019 Convertible Notes mature on August 15, 2019, unless earlier repurchased or converted. The primary purpose of the issuance of the 2019 Convertible Notes was for share repurchase purposes.

During March 2018, we issued $550 million aggregate principal of new convertible senior notes due 2024, or 2024 Convertible Notes as described below, and subsequently used the proceeds, along with cash on hand, to repurchase $475.0 million of our existing 2019 Convertible Notes from a limited number of holders in privately negotiated transactions for an aggregate purchase price of $583.5 million, which included $1.0 million of accrued interest.

See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on our 2019 Convertible Notes.

***Convertible Senior Notes due 2024***

During March 2018, we issued $550.0 million aggregate principal amount of convertible senior notes due 2024, or the 2024 Convertible Notes. The 2024 Convertible Notes are senior unsecured obligations which rank effectively subordinate to any of our existing and future secured indebtedness, including amounts outstanding under the Credit Facility, to the extent of the value of the assets securing such indebtedness. The 2024 Convertible Notes pay interest at a rate of 2.625% per annum payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2018. The 2024 Convertible Notes mature on March 15, 2024, unless redeemed, repurchased or converted in accordance with their terms prior to such date. The primary purpose of the issuance of the 2024 Convertible Notes was to repurchase a portion of the 2019 Convertible Notes. See Note 4, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on our 2024 Convertible Notes.

***Cash and Cash Equivalents***

The majority of our foreign subsidiaries designate their local currencies as their functional currencies. As of March 31, 2018 and December 31, 2017, the total amount of our foreign subsidiary cash and cash equivalents was $1,290.0 million and $1,133.5 million, respectively, of which $743.6 million and $633.3 million, respectively, was invested in U.S. dollars. As of March 31, 2018 and December 31, 2017, the total amount of cash and cash equivalents held by our parent and its U.S. entities, inclusive of U.S. territories, was $40.3 million and $145.3 million, respectively.

For earnings not considered to be indefinitely reinvested, deferred taxes have been provided. For earnings considered to be indefinitely reinvested, deferred taxes have not been provided. Should we make a determination to remit the cash and cash equivalents from our foreign subsidiaries that are considered indefinitely reinvested to our U.S. consolidated group for the purpose of repatriation of undistributed earnings, we would need to accrue and pay taxes. As of December 31, 2017, our U.S. consolidated group had approximately $97.9 million of permanently reinvested unremitted earnings from certain foreign subsidiaries, and if these monies were ever needed to be remitted, the impact of any tax consequences on our overall liquidity position would not be material. As of December 31, 2017, our parent, Herbalife Nutrition Ltd., had $2.4 billion of permanently reinvested unremitted earnings relating to its operating subsidiaries. As of March 31, 2018, we do not have any plans to repatriate these unremitted earnings to our parent; therefore, we do not have any liquidity concerns relating to these unremitted earnings and related cash and cash equivalents. See Note 12, *Income Taxes*, to the Consolidated Financial Statements included in our 2017 10-K for additional discussion on our unremitted earnings.

***Off-Balance Sheet Arrangements***

As of March 31, 2018 and December 31, 2017, we had no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

***Dividends***

The declaration of future dividends is subject to the discretion of our board of directors and will depend upon various factors, including our earnings, financial condition, Herbalife Nutrition Ltd.'s available distributable reserves under Cayman Islands law, restrictions imposed by the Credit Facility and the terms of any other indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our board of directors.

***Share Repurchases***

On February 21, 2017, our board of directors authorized a new three-year $1.5 billion share repurchase program that will expire on February 21, 2020, which replaced our prior share repurchase authorization that was set to expire on June 30, 2017 and had approximately $233 million of remaining authorized capacity as of December 31, 2016. This share repurchase program allows us, which includes an indirect wholly-owned subsidiary of Herbalife Nutrition Ltd., to repurchase our common shares at such times and prices as determined by management, as market conditions warrant, and to the extent Herbalife Nutrition Ltd.'s distributable reserves are available under Cayman Islands law. The Credit Facility permits us to repurchase our common shares as long as no default or event of default exists and other conditions, such as specified consolidated leverage ratios, are met.

In conjunction with the issuance of the 2019 Convertible Notes during February 2014, we paid approximately $685.8 million to enter into prepaid forward share repurchase transactions, or the Forward Transactions, with certain financial institutions, or the Forward Counterparties, pursuant to which we purchased approximately 9.9 million common shares, at an average cost of $69.02 per share, for settlement on or around the August 15, 2019 maturity date for the 2019 Convertible Notes, subject to the ability of each Forward Counterparty to elect to settle all or a portion of its Forward Transactions early. The shares are treated as retired shares for basic and diluted EPS purposes although they remain legally outstanding. See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on the Forward Transactions.

During the three months ended March 31, 2018, an indirect wholly-owned subsidiary of ours purchased 4,200 of Herbalife Nutrition Ltd.'s common shares through open market purchases at an aggregate cost of approximately $0.3 million, or an average cost of $67.79 per share. During the three months ended March 31, 2017, an indirect wholly-owned subsidiary of ours purchased approximately 1.1 million of Herbalife Nutrition Ltd.'s common shares through open market purchases at an aggregate cost of approximately $60.7 million, or an average cost of $56.10 per share. These share repurchases reduced our total shareholders' equity and are reflected at cost within our accompanying condensed consolidated balance sheets. Although these shares are owned by an indirect wholly-owned subsidiary of ours, they are reflected as treasury shares under U.S. GAAP and therefore reduce the number of common shares outstanding within our condensed consolidated financial statements and the weighted-average number of common shares outstanding used in calculating earnings per share. The common shares of Herbalife Nutrition Ltd. held by the indirect wholly-owned subsidiary, however, remain outstanding on the books and records of our transfer agent and therefore still carry voting and other share rights related to ownership of our common shares, which may be exercised. So long as it is consistent with applicable laws, such shares will be voted by such subsidiary in the same manner, and to the maximum extent possible in the same proportion, as all other votes cast with respect to any matter properly submitted to a vote of Herbalife Nutrition Ltd.'s shareholders. As of both March 31, 2018 and December 31, 2017, we held approximately 5.0 million of treasury shares for U.S. GAAP purposes. As of March 31, 2018, the remaining authorized capacity under our $1.5 billion share repurchase program was $713.3 million. See Note 10, *Shareholders' Deficit* and Note 14, *Subsequent Events*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on our share repurchases.

In connection with our modified Dutch auction tender offer, which was completed in October 2017, we incurred $1.6 million in transaction costs and also provided a CVR for each share tendered, allowing participants in the tender offer to receive a contingent cash payment in the event Herbalife is acquired in a going-private transaction (as defined in the CVR Agreement) within two years of the commencement of the tender offer. The initial fair value of the CVR was $7.3 million, which was recorded as a liability in the fourth quarter with a corresponding decrease to shareholders' equity. In determining the initial fair value of the CVR, we used a lattice model, which included inputs such as the underlying stock price, strike price, time to expiration, and dividend yield. Subsequent changes in the fair value of the CVR liability, using a similar valuation approach as the initial fair value determination, are recognized within our condensed consolidated balance sheets with corresponding gains or losses being recognized in non-operating expense (income) within our condensed consolidated statements of income during each reporting period until the CVR expires in August 2019 or is terminated due to a going-private transaction, which is also incorporated in the valuation of the CVR; this going-private probability input is considered to be a Level 3 input in the fair value hierarchy. Any subsequent increase or decrease in this input or other inputs described above in subsequent valuations could significantly impact the fair value of the CVR. We recognized an $11.3 million loss in other expense, net within our condensed consolidated statement of income during the three months ended March 31, 2018 due to the change in the fair value of the CVR. As of March 31, 2018 and December 31, 2017, the fair value of the CVR was $18.2 million and $6.9 million, respectively. See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion on the CVR.

***Capped Call Transactions***

In February 2014, in connection with the issuance of the 2019 Convertible Notes, we paid approximately $123.8 million to enter into capped call transactions with respect to our common shares, or the Capped Call Transactions, with certain financial institutions. The Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2019 Convertible Notes in the event that the market price of the common shares is greater than the strike price of the Capped Call Transactions, initially set at $86.28 per common share, with such reduction of potential dilution subject to a cap based on the cap price initially set at $120.79 per common share.

During March 2018, in connection with the Company's repurchase of a portion of the 2019 Convertible Notes, the Company entered into partial settlement agreements with the option counterparties to the Capped Call Transactions to terminate a portion of the Capped Call Transactions, in each case, in a notional amount corresponding to the aggregate principal amount of the 2019 Convertible Notes that were repurchased.

See Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion of the Capped Call Transactions.

***Working Capital and Operating Activities***

As of March 31, 2018 and December 31, 2017, we had positive working capital of $1,040.2 million and $953.5 million, respectively, or an increase of $86.7 million. This increase was primarily due to the increases in cash and cash equivalents, and prepaid expenses and other current assets.

We expect that cash and funds provided from operations, available borrowings under the Credit Facility, and access to capital markets will provide sufficient working capital to operate our business, to make expected capital expenditures and to meet foreseeable liquidity requirements, including payment of amounts outstanding under the Credit Facility, for the next twelve months and thereafter.

The majority of our purchases from suppliers are generally made in U.S. dollars, while sales to our Members generally are made in local currencies. Consequently, strengthening of the U.S. dollar versus a foreign currency can have a negative impact on net sales and contribution margins and can generate transaction gains or losses on intercompany transactions. For discussion of our foreign exchange contracts and other hedging arrangements, see Part I, Item 3 — *Quantitative and Qualitative Disclosures about Market Risk.*

**Contingencies**

See Note 5, *Contingencies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion of our contingencies as of March 31, 2018.

**Subsequent Events**

See Note 14, *Subsequent Events,* to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for information regarding subsequent events.

**Critical Accounting Policies**

U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. We regularly evaluate our estimates and assumptions related to revenue recognition, allowance for product returns, inventory, goodwill and purchased intangible asset valuations, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing the financial statements and the uncertainties that could impact our operating results, financial condition and cash flows.

We are a nutrition company that sells a wide range of weight management, targeted nutrition, energy, sports & fitness, and outer nutrition products. Our products are manufactured by us in our Changsha, Hunan, China extraction facility, Suzhou, China facility, Nanjing, China facility, Lake Forest, California facility, and in our Winston-Salem, North Carolina facility, and by third-party providers, and then are sold to Members who consume and sell Herbalife products to retail consumers or other Members. As of March 31, 2018, we sold products in 94 countries throughout the world and we are organized and managed by geographic region. We aggregate our operating segments into one reporting segment, except China, as management believes that our operating segments have similar operating characteristics and similar long term operating performance. In making this determination, management believes that the operating segments are similar in the nature of the products sold, the product acquisition process, the types of customers to whom products are sold, the methods used to distribute the products, the nature of the regulatory environment, and their economic characteristics.

We generally recognize revenue upon delivery when control passes to the Member. Product sales are recognized net of product returns, and discounts referred to as “distributor allowances.” We generally receive the net sales price in cash or through credit card payments at the point of sale. Royalty overrides are generally recorded when revenue is recognized. See Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for a further discussion of our adoption of Topic 606, Revenue Recognition from Contracts with Customers, with initial application of January 1, 2018 and distributor compensation in the U.S.

Allowances for product returns, primarily in connection with our buyback program, are provided at the time the sale is recorded. This accrual is based upon historical return rates for each country and the relevant return pattern, which reflects anticipated returns to be received over a period of up to 12 months following the original sale. Historically, product returns and buybacks have not been significant. Product returns and buybacks were approximately 0.1% for both the three months ended March 31, 2018 and 2017.

We adjust our inventories to lower of cost and net realizable value. Additionally we adjust the carrying value of our inventory based on assumptions regarding future demand for our products and market conditions. If future demand and market conditions are less favorable than management's assumptions, additional inventory write-downs could be required. Likewise, favorable future demand and market conditions could positively impact future operating results if previously written down inventories are sold. We have obsolete and slow moving inventories which have been adjusted downward $40.9 million and $30.8 million to present them at their lower of cost and net realizable value in our condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017, respectively.

Goodwill and marketing-related intangible assets not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. As discussed below, for goodwill impairment testing, we have the option to perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If we conclude it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then there is no need to perform the two-step impairment test. Currently, we do not use this qualitative assessment option but we could in the future elect to use this option. For our marketing-related intangible assets a similar qualitative option is also currently available. However, we currently use a discounted cash flow model, or the income approach, under the relief-from-royalty method to determine the fair value of our marketing-related intangible assets in order to confirm there is no impairment required. For our marketing-related intangible assets, if we do not use this qualitative assessment option, we could still in the future elect to use this option.

In order to estimate the fair value of goodwill, we also primarily use an income approach. The determination of impairment is made at the reporting unit level and consists of two steps. First, we determine the fair value of a reporting unit and compare it to its carrying amount. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. These estimates and assumptions include estimates of future revenues and expense growth rates, capital expenditures and the depreciation and amortization related to these capital expenditures, discount rates, and other inputs. Due to the inherent uncertainty involved in making these estimates, actual future results could differ. Changes in assumptions regarding future results or other underlying assumptions could have a significant impact on the fair value of the reporting unit. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill and other intangibles over the implied fair value as determined in Step 2 of the goodwill impairment test. Also, if during Step 1 of a goodwill impairment test we determine we have reporting units with zero or negative carrying amounts, then we perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. During Step 2 of a goodwill impairment test, the implied fair value of goodwill is determined in a similar manner as how the amount of goodwill recognized in a business combination is determined, in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 805, *Business Combinations*. We would assign the fair value of a reporting unit to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. As of March 31, 2018 and December 31, 2017, we had goodwill of approximately $98.6 million and $96.9 million, respectively. As of both March 31, 2018 and December 31, 2017, we had marketing-related intangible assets of approximately $310.0 million. The increase in goodwill during the three months ended March 31, 2018 was due to foreign currency translation adjustments. No marketing-related intangibles or goodwill impairment was recorded during the three months ended March 31, 2018 and 2017.

Contingencies are accounted for in accordance with FASB ASC Topic 450, *Contingencies*, or ASC 450. ASC 450 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. We also disclose material contingencies when we believe a loss is not probable but reasonably possible as required by ASC 450. Accounting for contingencies such as legal and non-income tax matters requires us to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. Many of these legal and tax contingencies can take years to be resolved. Generally, as the time period increases over which the uncertainties are resolved, the likelihood of changes to the estimate of the ultimate outcome increases.

We evaluate the realizability of our deferred tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. Although realization is not assured, we believe it is more likely than not that the net carrying value will be realized. The amount of the carryforwards that is considered realizable, however, could change if estimates of future taxable income are adjusted. In the ordinary course of our business, there are many transactions and calculations where the tax law and ultimate tax determination is uncertain. As part of the process of preparing our condensed consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate prior to the completion and filing of tax returns for such periods. These estimates involve complex issues and require us to make judgments about the likely application of the tax law to our situation, as well as with respect to other matters, such as anticipating the positions that we will take on tax returns prior to us actually preparing the returns and the outcomes of disputes with tax authorities. The ultimate resolution of these issues may take extended periods of time due to examinations by tax authorities and statutes of limitations. In addition, changes in our business, including acquisitions, changes in our international corporate structure, changes in the geographic location of business functions or assets, changes in the geographic mix and amount of income, as well as changes in our agreements with tax authorities, valuation allowances, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in the estimated and actual level of annual pre-tax income can affect the overall effective income tax rate.

We account for uncertain tax positions in accordance with FASB ASC Topic 740, *Income Taxes*, or ASC 740, which provides guidance on the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, we must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

On December 22, 2017, the U.S. enacted the 2017 Tax Cuts and Jobs Act, or the U.S. Tax Reform, which contains several key tax provisions that affect us, including, but not limited to, a one-time mandatory transition tax on accumulated foreign earnings, changes in the sourcing and calculation of foreign income, and a reduction of the corporate income tax rate to 21% effective January 1, 2018. We are required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, remeasuring its U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. In December 2017, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act*, which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. See Note 12, *Income Taxes*, to the Consolidated Financial Statements included in the 2017 10-K for a further discussion of the U.S. Tax Reform.

We account for foreign currency transactions in accordance with FASB ASC Topic 830, *Foreign Currency Matters*. In a majority of the countries where we operate, the functional currency is the local currency. Our foreign subsidiaries' asset and liability accounts are translated for consolidated financial reporting purposes into U.S. dollar amounts at period-end exchange rates. Revenue and expense accounts are translated at the average rates during the year. Our foreign currency translation adjustments are included in accumulated other comprehensive loss on our accompanying condensed consolidated balance sheets. Foreign currency transaction gains and losses and foreign currency remeasurements are generally included in selling, general, and administrative expenses in the accompanying condensed consolidated statements of income.

***New Accounting Pronouncements***

See discussion under Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for information on new accounting pronouncements.

**Item 3.** ***Quantitative and Qualitative Disclosures About Market Risk***

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

We apply FASB ASC Topic 815, *Derivatives and Hedging*, or ASC 815, which established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and the underlying hedged item are recognized concurrently in earnings. If the derivative is designated as a cash-flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are recognized in the condensed consolidated statements of income when the hedged item affects earnings. ASC 815 defines the requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting. For a derivative that does not qualify as a hedge, changes in fair value are recognized concurrently in earnings.

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

**Foreign Exchange Risk**

We transact business globally and are subject to risks associated with changes in foreign exchange rates. Our objective is to minimize the impact to earnings and cash flow associated with foreign exchange rate fluctuations. We enter into foreign exchange derivatives in the ordinary course of business primarily to reduce exposure to currency fluctuations attributable to intercompany transactions, translation of local currency earnings, inventory purchases subject to foreign currency exposure, and to partially mitigate the impact of foreign currency rate fluctuations. Due to volatility in foreign exchange markets, our current strategy, in general, is to hedge some of the significant exposures on a short-term basis. We will continue to monitor the foreign exchange markets and evaluate our hedging strategy accordingly. With the exception of our foreign exchange forward contracts relating to forecasted inventory purchases and intercompany management fees discussed below, all of our foreign exchange contracts are designated as freestanding derivatives for which hedge accounting does not apply. The changes in the fair value of the derivatives not qualifying as cash flow hedges are included in selling, general, and administrative expenses in our condensed consolidated statements of income.

The foreign exchange forward contracts designated as freestanding derivatives are used to hedge advances between subsidiaries and to partially mitigate the impact of foreign currency fluctuations. The fair value of foreign exchange derivative contracts is based on third-party quotes. Our foreign currency derivative contracts are generally executed on a monthly basis.

We also purchase foreign currency forward contracts in order to hedge forecasted inventory transactions and intercompany management fees that are designated as cash-flow hedges and are subject to foreign currency exposures. We applied the hedge accounting rules as required by ASC 815 for these hedges. These contracts allow us to buy and sell certain currencies at specified contract rates. As of March 31, 2018 and December 31, 2017, the aggregate notional amounts of these contracts outstanding were approximately $95.8 million and $104.9 million, respectively. As of March 31, 2018, the outstanding contracts were expected to mature over the next fifteen months. Our derivative financial instruments are recorded on the condensed consolidated balance sheets at fair value based on quoted market rates. For the forecasted inventory transactions, the forward contracts are used to hedge forecasted inventory transactions over specific months. Changes in the fair value of these forward contracts, excluding forward points, designated as cash-flow hedges are recorded as a component of accumulated other comprehensive loss within shareholders' deficit, and are recognized in cost of sales in the condensed consolidated statements of income during the period which approximates the time the hedged inventory is sold. We also hedge forecasted intercompany management fees over specific months. Changes in the fair value of these forward contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive loss within shareholders' deficit, and are recognized in selling, general, and administrative expenses in the condensed consolidated statements of income in the period when the hedged item and underlying transaction affects earnings. As of March 31, 2018, we recorded assets at fair value of $0.5 million and liabilities at fair value of $4.8 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. As of December 31, 2017, we recorded assets at fair value of $2.9 million and liabilities at fair value of $4.0 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. During the three months ended March 31, 2018 and 2017, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of March 31, 2018 and December 31, 2017.

As of March 31, 2018 and December 31, 2017, the majority of our outstanding foreign currency forward contracts had maturity dates of less than twelve months with the majority of freestanding derivatives expiring within one month as of March 31, 2018 and December 31, 2017.

The following table provides information about the details of our foreign exchange forward contracts:

| | Weighted-Average Contract Rate | Notional Amount | Fair Value Gain (Loss) |
|---|---|---|---|
| | *(in millions, except weighted-average contract rate)* | | |
| **As of March 31, 2018** | | | |
| Buy Argentine peso sell U.S. dollar | 20.87 | $ 2.4 | $ — |
| Buy Australian dollar sell Euro | 1.58 | 0.7 | — |
| Buy British pound sell Brazilian real | 4.65 | 0.9 | — |
| Buy British pound sell Euro | 0.87 | 3.5 | — |
| Buy British pound sell Ghanaian cedi | 6.48 | 0.6 | — |
| Buy British pound sell South African rand | 16.89 | 1.6 | — |
| Buy British pound sell Thai baht | 43.72 | 0.5 | — |
| Buy British pound sell U.S. dollar | 1.41 | 6.3 | — |
| Buy Canadian dollar sell Euro | 1.60 | 0.2 | — |
| Buy Chinese yuan sell Euro | 8.14 | 63.0 | 0.7 |
| Buy Euro sell Australian dollar | 1.59 | 3.6 | — |
| Buy Euro sell Canadian dollar | 1.59 | 0.6 | — |
| Buy Euro sell Ghanaian cedi | 5.52 | 5.2 | (0.1) |
| Buy Euro sell Hong Kong dollar | 9.68 | 7.9 | — |
| Buy Euro sell Indonesian rupiah | 16,991.04 | 6.7 | — |
| Buy Euro sell Japanese yen | 130.92 | 0.4 | — |
| Buy Euro sell Kazakhstani tenge | 399.00 | 0.6 | — |
| Buy Euro sell Malaysian ringgit | 4.86 | 2.8 | (0.1) |
| Buy Euro sell Mexican peso | 23.50 | 46.8 | (0.9) |
| Buy Euro sell Peruvian nuevo sol | 4.01 | 2.3 | — |
| Buy Euro sell Philippine peso | 64.60 | 4.5 | — |
| Buy Euro sell Russian ruble | 71.10 | 15.6 | — |
| Buy Euro sell South African rand | 14.73 | 4.9 | — |
| Buy Euro sell Taiwan dollar | 35.72 | 0.9 | — |
| Buy Euro sell U.S. dollar | 1.23 | 62.8 | 0.2 |
| Buy Hong Kong dollar sell Euro | 9.73 | 1.0 | — |
| Buy Indonesian rupiah sell Euro | 16,994.00 | 2.5 | — |
| Buy Indonesian rupiah sell U.S. dollar | 13,880.30 | 6.1 | — |
| Buy Kazakhstani tenge sell U.S. dollar | 325.00 | 0.9 | — |
| Buy Korean won sell U.S. dollar | 1,075.98 | 5.4 | 0.1 |
| Buy Malaysian ringgit sell Euro | 4.80 | 2.8 | — |
| Buy Norwegian krone sell U.S. dollar | 7.71 | 1.3 | — |
| Buy Peruvian nuevo sol sell Euro | 4.01 | 0.6 | — |
| Buy Philippine peso sell Euro | 65.25 | 0.7 | — |
| Buy Russian ruble sell Euro | 71.44 | 5.3 | — |
| Buy South African rand sell British pound | 16.64 | 0.6 | — |
| Buy South African rand sell U.S. dollar | 11.66 | 0.3 | — |
| Buy Swedish krona sell U.S. dollar | 8.19 | 1.9 | — |
| Buy Taiwan dollar sell U.S. dollar | 28.84 | 11.1 | — |
| Buy U.S. dollar sell British pound | 1.42 | 7.2 | 0.1 |
| Buy U.S. dollar sell Colombian peso | 2,850.75 | 0.9 | — |
| Buy U.S. dollar sell Euro | 1.22 | 174.6 | (2.9) |
| Buy U.S. dollar sell Korean won | 1,068.81 | 15.8 | (0.2) |
| Buy U.S. dollar sell South African rand | 11.93 | 0.6 | — |
| Total forward contracts | | $ 484.9 | $ (3.1) |

The majority of our foreign subsidiaries designate their local currencies as their functional currencies. See *Liquidity and Capital Resources — Cash and Cash Equivalents* in Part I, Item 2 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* for further discussion of our foreign subsidiary cash and cash equivalents.

## Interest Rate Risk

As of March 31, 2018, the aggregate annual maturities of the Credit Facility were expected to be $73.1 million for the remainder of 2018, $97.5 million for 2019, $97.5 million for 2020, $97.5 million for 2021, $97.5 million for 2022, and $739.4 million thereafter. As of March 31, 2018, the fair value of the Term Loan was approximately $1,212.3 million and the carrying value was $1,167.7 million. As of December 31, 2017, the fair value of the Term Loan was approximately $1,226.1 million and the carrying value was $1,190.2 million. There were no outstanding borrowings on the Revolving Credit Facility as of March 31, 2018 and December 31, 2017. The Credit Facility bears variable interest rates, and as of March 31, 2018 and December 31, 2017, the weighted-average interest rate of the Credit Facility was 7.15% and 6.79%, respectively. As of March 31, 2018 the fair values of the liability component of the 2019 Convertible Notes and 2024 Convertible Notes were approximately $652.9 million and $410.1 million, respectively, and the carrying values were $635.0 million and $401.0 million, respectively. As of December 31, 2017, the fair value of the liability component of the 2019 Convertible Notes was approximately $1,066.0 million and the carrying value was $1,070.0 million. The 2019 Convertible Notes pay interest at a fixed rate of 2.00% per annum payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2014. The 2019 Convertible Notes mature on August 15, 2019, unless earlier repurchased or converted. We may not redeem the 2019 Convertible Notes prior to their stated maturity date. The 2024 Convertible Notes pay interest at a fixed rate of 2.625% per annum payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2018. The 2024 Convertible Notes mature on March 15, 2024, unless redeemed, repurchased or converted in accordance with their terms prior to such date. Since our Credit Facility is based on variable interest rates, and as we have not entered into any interest swap arrangements, if interest rates were to increase or decrease by 1% for the year, and our borrowing amounts stayed constant on our Credit Facility, our annual interest expense could increase or decrease by approximately $12.0 million.

## Item 4. *Controls and Procedures*

*Evaluation of Disclosure Controls and Procedures*. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2018.

*Changes in Internal Control over Financial Reporting.* There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## FORWARD-LOOKING STATEMENTS

*This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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, among other, the words "may," "will," "estimate," "intend," "continue," "believe," "expect," "anticipate" or any other similar words.*

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

- our relationship with, and our ability to influence the actions of, our Members;
- improper action by our employees or Members in violation of applicable law;
- adverse publicity associated with our products or network marketing organization, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products and network marketing program, including the direct selling markets in which we operate;
- legal challenges to our network marketing program;
- the consent order entered into with the FTC, the effects thereof and any failure to comply therewith;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third-party importers, pricing and currency devaluation risks, especially in countries such as Venezuela;
- uncertainties relating to interpretation and enforcement of legislation in China governing direct selling and anti-pyramiding;
- our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy;
- our dependence on increased penetration of existing markets;
- any material disruption to our business caused by natural disasters, other catastrophic events, acts of war or terrorism, or cyber-security incidents;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of our trademarks and other intellectual property rights;
- product concentration;
- our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our Member relations and operating results;
- U.S. and foreign laws and regulations applicable to our international operations;
- uncertainties relating to the United Kingdom's vote to exit from the European Union;
- restrictions imposed by covenants in our credit facility;

- risks related to the convertible notes;
- uncertainties relating to the application of transfer pricing, duties, value added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our Members;
- product liability claims;
- our incorporation under the laws of the Cayman Islands;
- whether we will purchase any of our shares in the open markets or otherwise; and
- share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.

*Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Quarterly Report on Form 10-Q, including under the heading "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our Condensed Consolidated Financial Statements and the related Notes.*

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

## PART II. OTHER INFORMATION

**Item 1.** ***Legal Proceedings***

See discussion under Note 5, *Contingencies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

**Item 1A.** ***Risk Factors***

### Risks Related to Us and Our Business

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

We distribute our products exclusively to and through independent Members, and we depend upon them directly for substantially all of our sales. Our Members, including our sales leaders, may voluntarily terminate their Member agreements with us at any time. To increase our revenue, we must increase the number of, or the productivity of, our Members. Accordingly, our success depends in significant part upon our ability to recruit, retain and motivate a large base of Members. The loss of a significant number of Members for any reason could negatively impact sales of our products and could impair our ability to attract new Members. In our efforts to attract and retain Members, we compete with other network marketing organizations, including those in the weight management, 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 Members and attract new Members.

Our Member organization has a high turnover rate, which is a common characteristic found in the direct selling industry. See Item 7 —*Management's Discussion and Analysis of Financial Condition and Results of Operations* of the 2017 10-K for additional information regarding sales leader retention rates.

***Because we cannot exert the same level of influence or control over our independent Members as we could were they our own employees, our Members could fail to comply with applicable law or our Member rules and procedures, which could result in claims against us that could harm our financial condition and operating results.***

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

Extensive federal, state and local laws regulate our business, products and network marketing program. Because we have expanded into foreign countries, our policies and procedures for our independent Members differ due to the different legal requirements of each country in which we do business. While we have implemented Member policies and procedures designed to govern Member 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 Members and their independent status. Violations by our independent Members 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 Members.

***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 the 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 Members;
- our network marketing program; and
- the direct selling business generally.

Adverse publicity concerning any actual or purported failure of our Company or our Members to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of our network marketing program, the registration 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 effect on the goodwill of our Company and could negatively affect our ability to attract, motivate and retain Members, which would negatively impact our ability to generate revenue. We cannot ensure that all of our Members will comply with applicable legal requirements relating to the advertising, labeling, licensing or distribution of our products.

In addition, our Members' 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 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 lead to lawsuits or other legal challenges and could negatively impact our reputation, the market demand for our products, or our general business.

From time to time, we receive inquiries from government agencies and third parties requesting information concerning our products. We fully cooperate with these inquiries including, when requested, by the submission of detailed technical dossiers addressing product composition, manufacturing, process control, quality assurance, and contaminant testing. Further, we periodically respond to requests from regulators for additional information regarding product-specific adverse events. We are confident in the safety of our products when used as directed. However, there can be no assurance that regulators in these or other markets will not take actions that might delay or prevent the introduction of new products, or require the reformulation or the temporary or permanent withdrawal of certain of our existing products from their markets.

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 Members, and it could also affect our share price. In the mid-1980s, 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 Members, including impermissible therapeutic claims. The resulting adverse publicity caused a rapid, substantial loss of Members in the United States and a corresponding reduction in sales beginning in 1985. In addition, in late 2012, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and governmental inquiries, and significant stock price volatility. We expect that negative publicity will, from time to time, continue to negatively impact our business in particular markets and may adversely affect our share price.

***Our failure to appropriately respond to changing consumer preferences and demand for new products or product enhancements could significantly harm our Member and customer relationships and product sales and harm our financial condition and operating results.***

Our business is subject to changing consumer trends and preferences, especially with respect to weight management, targeted nutrition, energy, sports & fitness, and other nutrition 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 Member 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, financial condition and operating results.

***Due to the high level of competition in our industry, we might fail to retain our customers and Members, 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 are subject to increasing competition 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 management products that prove to be more effective than our products, demand for our products could be reduced. Accordingly, competition may intensify and we may not be able to compete effectively in our markets.

We are also subject to significant competition for the recruitment of Members from other network marketing organizations, including those that market weight management products, dietary and nutritional supplements, personal care products, and other types of products, as well as those organizations in which former employees or Members of the Company are involved. We compete for global customers and Members 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, Omnilife, Tupperware 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 that will compete with us for our Members and customers. Furthermore, the fact that our Members may easily enter and exit our network marketing program contributes to the level of competition that we face. For example, a Member can enter or exit our network marketing system with relative ease at any time without facing a significant investment or loss of capital because (1) we have a low upfront financial cost to become a Herbalife Member, (2) we do not require any specific amount of time to work as a Member, (3) we do not charge Members for any training that we might require, (4) we do not prohibit a new Member from working with another company, and (5) in substantially all jurisdictions, we maintain a buyback program pursuant to which we will repurchase products sold to a Member who has decided to leave the business. Our ability to remain competitive therefore depends, in significant part, on our success in recruiting and retaining Members 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 Members 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 Members' failure to comply with these constraints 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, advertising, importation, exportation, licensing, sale and storage of our products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and other 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 Members are in compliance with all of these regulations. Our failure or our Members' failure to comply with these regulations or new regulations could disrupt our Members' sale of our products, or 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, such as those relating to genetically modified foods, 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.

The Consent Order prohibits us from making, or allowing our Members to make, any representation regarding the amount or level of income, including full-time or part-time income, that a participant can reasonably expect to earn in our network marketing program, unless the representation is non-misleading and we possesses competent and reliable evidence sufficient to substantiate that the representation is true. The Consent Order also prohibits us and other persons who act in active concert with us from representing that participation in the network marketing program will result in a lavish lifestyle and from using images or descriptions to represent or imply that participation in the program is likely to result in a lavish lifestyle. In addition, the Consent Order prohibits specified misrepresentations in connection with marketing the program, including misrepresentations regarding any fact material to participation such as the cost to participate or the amount of income likely to be earned. The Consent Order also requires us to clearly and conspicuously disclose all information material to participation in the marketing program, including our refund and buyback policy before the participant pays any money to us.

On January 4, 2018, the FTC released its Business Guidance Concerning Multi-Level Marketing, or MLM Guidance, in order to help multi-level marketers, or MLMs, apply core consumer protection principles applicable to the multi-level marketing industry to their business practices. Although the MLM Guidance is not binding, the MLM Guidance explains, among other things, how the FTC distinguishes between MLMs with lawful and unlawful compensation structures, how MLMs with unfair or deceptive compensation structures harm consumers, how the FTC treats personal or internal consumption by participants in determining if an MLM's compensation structure is unfair or deceptive, and how an MLM should approach representations to current and prospective participants. Although we believe our current business practices, which include new and enhanced procedures implemented in connection with the Consent Order, are in compliance with the MLM Guidance, there can be no assurances that the FTC or other third parties would agree.

The FTC revised its Guides Concerning the Use of Endorsements and Testimonials in Advertising, or Guides, which became effective on December 1, 2009. Although the Guides are not binding, they explain how the FTC interprets Section 5 of the FTC Act's prohibition on unfair or deceptive acts or practices. Consequently, the FTC could bring a Section 5 enforcement action based on practices that are inconsistent with the Guides. Under the revised Guides, advertisements that feature a consumer and convey his or her atypical experience with a product or service are required to clearly disclose the results that consumers can generally expect. In contrast to the 1980 version of the Guides, which allowed advertisers to describe atypical results in a testimonial as long as they included a disclaimer such as "results not typical", the revised Guides no longer contain such a safe harbor. The revised Guides also add new examples to illustrate the long-standing principle that "material connections" between advertisers and endorsers (such as payments or free products), connections that consumers might not expect, must be disclosed. Herbalife has revised its marketing materials to be compliant with the revised Guides and the Consent Order. However, it is possible that our use, and that of our Members, of testimonials in the advertising and promotion of our products, including but not limited to our weight management products and our income opportunity, will be significantly impacted and therefore might negatively impact our sales.

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 new 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. Any 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 Members and, consequently, on sales.

We are subject to rules of the Food and Drug Administration, or FDA, for current good manufacturing practices, or cGMPs, for the manufacture, packing, labeling and holding of dietary supplements and over-the-counter drugs distributed in the United States. Herbalife has implemented a comprehensive quality assurance program that is designed to maintain compliance with the cGMPs for products manufactured by or on behalf of Herbalife for distribution in the United States. However, if Herbalife should be found not to be in compliance with cGMPs for the products we self-manufacture, it could negatively impact our reputation and ability to sell our products even after any such situation had been rectified. Further, if contract manufacturers that manufacture products for Herbalife fail to comply with the cGMPs, this could negatively impact Herbalife's reputation and ability to sell its products even though Herbalife is not directly liable under the cGMPs for such compliance. In complying with the dietary supplement cGMPs, we have experienced increases in production costs as a result of the necessary increase in testing of raw ingredients, work in process and finished products.

A hedge fund manager has made allegations regarding the Company andits network marketing program. We believe these allegations are without merit and are vigorously defending ourselves against such claims, including proactively reaching out to governmental authorities about what we believe is manipulative activity with respect to our securities. Because of these allegations, we and others have received and may receive additional regulatory and governmental inquiries.For example, we have previously disclosed inquiries from the FTC, SEC and other governmental authorities. In the future, these and other governmental authorities may determine to seek information from us and other persons relating to these same or other allegations. If we believe any governmental or regulatory inquiry or investigation is or becomes material, itwill be disclosed individually. Consistent with our policies, we have cooperated and will continue to fully cooperate with any governmental or regulatory inquiries or investigations.

***Our network marketing program could be found to be not 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 or require us to alter compensation practices under our network marketing program, 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 FTC and various federal and 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 by federal, state or foreign regulators not to be in compliance with applicable law or regulations or we may be required to alter compensation practices under our network marketing program in order to comply with applicable law or regulations. As previously disclosed, we entered into the Consent Order with the FTC to settle the FTC's multi-year investigation into our business for compliance with these regulations. Another example is the 1986 permanent injunction entered in California in proceedings initiated by the California Attorney General. There can be no assurances other federal, state attorneys general or foreign regulators will not take similar actions.

Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, sometimes 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, 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. While we believe we are in compliance with these regulations, including those enforced by the FTC and the permanent injunction in California, and are compliant with the Consent Order, there is no assurance any federal, state or foreign courts or agencies or the independent compliance auditor under the Consent Order would agree, including a federal court or the FTC in respect of the Consent Order or a court or the California Attorney General in respect to the permanent injunction.

The ambiguity surrounding these laws can also affect the public perception of the Company. Specifically, in late 2012, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and significant stock price volatility. The failure of our network marketing program to comply with current or newly adopted laws or regulations, the Consent Order or the California injunction or any allegations or charges to that effect brought by federal, state, or foreign regulators could negatively impact our business in a particular market or in general and may adversely affect our share price.

We are also subject to the risk of private party challenges to the legality of our network marketing program, whether as a result of the Consent Order or otherwise. Some network marketing programs of other companies have been successfully challenged in the past, while other challenges to network marketing programs of other companies have been defeated. Adverse judicial determinations with respect to our network marketing program, or in proceedings not involving us directly but which challenge the legality of network marketing systems, in any other market in which we operate, could negatively impact our business.

***We are subject to the Consent Order with the FTC, the effects of which, or any failure to comply therewith, could harm our financial condition and operating results.***

As previously disclosed, on July 15, 2016, we reached a consensual resolution with the FTC regarding its multi-year investigation of our business resulting in the entry into a Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment in the U.S. District Court for the Central District of California. The Consent Order became effective on July 25, 2016 upon final approval by the Court. As part of the Consent Order, we agreed to make a payment of $200 million and to implement certain new procedures and enhance certain existing procedures in the United States. We also agreed to be subject to certain audits by an independent compliance auditor, or the ICA, for a period of seven years; requirements regarding compliance certification and record creation and maintenance; and a prohibition on misrepresentations and misleading claims regarding, among other things, income and lavish lifestyles. The FTC and ICA will also have the right to inspect Company records and request additional compliance reports for purposes of conducting audits pursuant to the Consent Order. In September 2016, we and the FTC mutually selected Affiliated Monitors, Inc. to serve as the ICA. The terms of the Consent Order are described in greater detail in our Current Report on Form 8-K filed on July 15, 2016.

The Consent Order includes a number of restrictions and requirements and therefore creates compliance risks, and while we believe we are fully compliant with the Consent Order, there is no guarantee that we are fully compliant or in the future will continue to be fully compliant with the Consent Order. We do not believe the Consent Order changes our business model as a direct selling company. However, compliance with the Consent Order required us to implement enhanced procedures regarding, among other things, tracking retail sales and internal consumption by distributors. We have instituted controls and procedures and developed technology solutions that we believe address these Consent Order requirements, including tools and software used by distributors to, among other things, document their sales and more efficiently track and manage their customer base. However, there can be no assurances that some or all of these controls and procedures and technology solutions will continue to operate as expected. Any failure of these systems to operate as designed could cause us to fail to maintain the records required under, or otherwise violate terms of, the Consent Order. Compliance with the Consent Order will require the cooperation of Members and, while we have updated our training programs and policies to address the Consent Order and expect our Members to cooperate, we do not have the same level of influence or control over our Members as we could were they our own employees. Failure by our Members to comply with the relevant aspects of the Consent Order could be a violation of the Consent Order and impact our ability to comply. While we believe we are compliant with the Consent Order and our board of directors has established the Implementation Oversight Committee, a committee which meets regularly with management to oversee our compliance with the terms of the Consent Order, there can be no assurances that the FTC or ICA would agree now or will agree in the future. In the event we are found to be in violation of the Consent Order, the FTC could, among other things, take corrective actions such as initiating enforcement actions, seeking an injunction or other restrictive orders and imposing civil monetary penalties against us and our officers and directors.

The Consent Order has impacted, and may continue to impact, our business operations, including our net sales and profitability. For example, the Consent Order imposes certain requirements regarding the verification and receipting of sales and there can be no assurances that these or other requirements of the Consent Order, our compliance therewith and the business procedures implemented as a result thereof, will not continue to lead to reduced sales, whether as a result of undocumented sales activity or otherwise. The Consent Order also imposes restrictions on distributors' ability to open Nutrition Clubs in the United States. Additionally, the procedures described above, and any other actions taken in respect of continuing compliance efforts with the Consent Order, may continue to be costly. These extensive costs or any amounts in excess of our cost estimates could have a material adverse effect on our financial condition and results of operations. Our Members may also disagree with our decision to enter into the Consent Order, whether because they disagree with certain terms thereof, they believe it will negatively impact their personal business or they would not have settled the investigation on any terms. The Consent Order also provides that if the total eligible U.S. sales on which compensation may be paid falls below 80% of the Company's total U.S. sales for a given year, compensation payable to distributors on eligible U.S. sales will be capped at 41.75% of the Net Rewardable Sales amount as defined in the Consent Order. While we believe we will continue to achieve the required 80% threshold necessary to pay full distributor compensation, this result is subject to the review and audit of the FTC and ICA and they may not agree with our conclusions. Because our business is dependent on our Members, our business operations and net sales could be adversely affected if U.S. distributor compensation is restricted or if any meaningful number of Members are dissatisfied, choose to reduce activity levels or leave our business altogether. Member dissatisfaction may also negatively impact the willingness of new Members to join Herbalife as a distributor. Further, management and the board of directors may be required to focus a substantial amount of time on compliance activities, which could divert their attention from running and growing our business. We may also be required to suspend or defer many or all of our current or anticipated business development, capital deployment and other projects unrelated to compliance with the Consent Order to allow resources to be focused on our compliance efforts, which could cause us to fall short of our guidance or analyst or investor expectations. In addition, while we believe the Consent Order will set new standards within the industry, our competitors are not required to comply with the Consent Order and may not be subject to similar actions, which could limit our ability to effectively compete for Members, customers and ultimately net sales.

The Consent Order also creates additional third-party risks. Although the Consent Order resolved the FTC's multi-year investigation into the Company, it does not prevent other third-parties from bringing actions against us, whether in the form of other state, federal or foreign regulatory investigations or proceedings, or private litigation, any of which could lead to, among other things, monetary settlements, fines, penalties or injunctions. Although we neither admitted nor denied the allegations in the FTC's complaint in agreeing to the terms of the Consent Order (except as to the Court having jurisdiction over the matter), third-parties may use specific statements or other matters addressed in the Consent Order as the basis for their action. The Consent Order or any subsequent legal or regulatory claim may also lead to negative publicity, whether because some view it as a condemnation of the Company or our direct selling business model or because other third parties use it as justification to make unfounded and baseless assertions against us, our business model or our Members. An increase in the number, severity or scope of third-party claims, actions or public assertions may result in substantial costs and harm to our reputation. The Consent Order may also impact third parties' willingness to work with us as a company.

We believe we have complied with the Consent Order and we will continue to do so. However, the impact of the Consent Order on our business, including the effectiveness of the controls, procedures and technology solutions implemented to comply therewith, and on our business and our member base, could be significant. If our business is adversely impacted, it is uncertain as to whether, or how quickly, we would be able to rebuild, irrespective of market conditions. Our financial condition and results of operations could be harmed if we fail to continue to comply with the Consent Order, if costs related to compliance exceed our estimates, if it continues to have a negative impact on net sales, or if it leads to further legal, regulatory, or compliance claims, proceedings, or investigations or litigation.

***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, disruptions or conflicts with our third-party importers and similar risks associated with foreign operations.***

Approximately 80% of our net sales for the year ended December 31, 2017 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, or otherwise limit or restrict our ability to import products into a country, any of 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 Members 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. Additionally, we may be negatively impacted by conflicts with or disruptions caused or faced by our third-party importers, as well as conflicts between such importers and local governments or regulating agencies. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. Our operations, both domestically and internationally, could also be affected by laws and regulations related to immigration. For example, current and future tightening of U.S. immigration controls may adversely affect the residence status of non-U.S. employees in our U.S. locations or our ability to hire new non-U.S. employees in such locations and may adversely affect the ability of non-U.S. Members from entering the United States. 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.

Another risk associated with our international operations is the possibility that a foreign government may impose foreign currency remittance restrictions. Due to the possibility of government restrictions on transfers of cash out of the country and control of exchange rates, we may not be able to immediately repatriate cash at the official exchange rate. If this should occur, or if the official exchange rate devalues, it may have a material adverse effect on our business, assets, financial condition, liquidity, results of operations or cash flows. For example, currency restrictions enacted by the Venezuelan government continue to be restrictive and have impacted the ability of our subsidiary in Venezuela, or Herbalife Venezuela, to obtain U.S. dollars in exchange for Venezuelan Bolivars at the official foreign exchange rate. These currency restrictions and current pricing restrictions continue to limit Herbalife Venezuela's ability to import U.S. dollar denominated raw materials and finished goods which in addition to the Venezuelan Bolivar devaluations has significantly negatively impacted our Venezuelan operations. If we are unsuccessful in implementing any financially and economically viable strategies, including local manufacturing, we may be required to fundamentally change our business model or suspend or cease operations in Venezuela. Also, if the foreign currency and pricing or other restrictions in Venezuela intensify or do not improve and, as a result, impact our ability to control our Venezuelan operations, we may be required to deconsolidate Herbalife Venezuela for U.S. GAAP purposes and would be subject to the risk of further impairments.

***Our business in China is subject to general, as well as industry-specific, economic, political and legal developments and risks in China and requires that we utilize a modified version of the business model we use elsewhere in the world.***

Our expansion of operations into China and the continued success of our business in China are subject to risks and uncertainties related to general economic, political and legal developments in China, among other things. The Chinese government exercises significant control over the Chinese economy, including but not limited to controlling capital investments, allocating resources, setting monetary policy, controlling and monitoring foreign exchange rates, implementing and overseeing tax regulations, providing preferential treatment to certain industry segments or companies and issuing necessary licenses to conduct business. In addition, we could face additional risks resulting from changes in China's data privacy and cybersecurity requirements. Accordingly, any adverse change in the Chinese economy, the Chinese legal system or Chinese governmental, economic or other policies could have a material adverse effect on our business in China and our prospects generally.

China has published regulations governing direct selling and prohibiting pyramid promotional schemes, and a number of administrative methods and proclamations have been issued. These regulations require us to use a modified version of the business model we use in other markets. To allow us to operate under these regulations, we have created and introduced a model specifically for China based on our understanding as to how Chinese regulators are interpreting and enforcing these regulations, our interpretation of applicable regulations and our understanding of the practices of other international direct selling companies in China.

In China, we have sales representatives who are permitted by the terms of our direct selling licenses to sell away from fixed retail locations in the provinces of Jiangsu, Guangdong, Shandong, Zhejiang, Guizhou, Beijing, Fujian, Sichuan, Hubei, Shanxi, Shanghai, Jiangxi, Liaoning, Jilin, Henan, Chongqing, Hebei, Shaanxi, Tianjin, Heilongjiang, Hunan, Guangxi, Hainan, Anhui, Yunnan, Gansu, Ningxia, and Inner Mongolia. In Xinjiang province, where the Company does not have a direct selling license, it has a Company-operated retail store that can directly serve customers and preferred customers. With online orderings throughout China, there has been a declining demand in Company-operated retail stores.

We also engage independent service providers who meet both the requirements to operate their own business under Chinese law as well as the conditions set forth by Herbalife to provide marketing, sales support and other services to Herbalife customers. In China, our independent service providers are compensated for marketing, sales support, and other services instead of the Member allowances and royalty overrides utilized in our global marketing plan. The service hours and related fees eligible to be earned by the independent service providers are based on a number of factors, including the sales generated through them and through others to whom they may provide marketing, sales support and other services, the quality of their service, and other factors. Total compensation available to our independent service providers in China can generally be comparable to the total compensation available to other sales leaders globally.

These business model features in China are not common to the business model we employ elsewhere in the world, and based on the direct selling licenses we have received and the terms of those which we hope to receive in the future to conduct a direct selling enterprise in China, our business model in China will continue to incorporate some or all of these features. The direct selling regulations require us to apply for various approvals to conduct a direct selling enterprise in China. The process for obtaining the necessary licenses to conduct a direct selling business is protracted and cumbersome and involves multiple layers of Chinese governmental authorities and numerous governmental employees at each layer. While direct selling licenses are centrally issued, such licenses are generally valid only in the jurisdictions within which related approvals have been obtained. Such approvals are generally awarded on local and provincial bases, and the approval process requires involvement with multiple ministries at each level. Our participation and conduct during the approval process is guided not only by distinct Chinese practices and customs, but is also subject to applicable laws of China and the other jurisdictions in which we operate our business, including the United States, as well as our internal code of ethics. There is always a risk that in attempting to comply with local customs and practices in China during the application process or otherwise, we will fail to comply with requirements applicable to us in China itself or in other jurisdictions, and any such failure to comply with applicable requirements could prevent us from obtaining the direct selling licenses or related local or provincial approvals. Furthermore, we rely on certain key personnel in China to assist us during the approval process, and the loss of any such key personnel could delay or hinder our ability to obtain licenses or related approvals. For all of the above reasons, there can be no assurance that we will obtain additional direct selling licenses, or obtain related approvals to expand into any or all of the localities or provinces in China that are important to our business. Our inability to obtain, retain, or renew any or all of the licenses or related approvals that are required for us to operate in China could negatively impact our business.

Additionally, although certain regulations have been published with respect to obtaining and operating under such approvals and otherwise conducting business in China, other regulations are pending and there continues to be uncertainty regarding the interpretation and enforcement of Chinese regulations. The regulatory environment in China is evolving, and officials in the Chinese government, including at the local and central level, exercise broad discretion in deciding how to interpret, apply, and enforce regulations as they deem appropriate, including to promote social order. Regulators in China may change how they interpret and enforce the direct selling regulations, both current interpretations and enforcement thereof or future iterations. Regulators in China may also modify the regulations. We cannot be certain that our business model will continue to be deemed by national or local Chinese regulatory authorities to be compliant with any such regulations. The Chinese government rigorously monitors the direct selling market in China, and in the past has taken serious action against companies that the government believed were engaging in activities they regarded to be in violation of applicable law, including shutting down their businesses and imposing substantial fines. For example, China's State Administration for Industry and Commerce, Ministry of Education, Ministry of Public Security and Ministry of Human Resources and Social Securitycarried out a three-month campaign which ended on November 15, 2017 to investigate pyramid selling activities in order to eliminate activities prohibited under relevant regulations. The campaign sought to eliminate organizations that use recruitment to lure and mislead people into participating in pyramid schemes. As a result, there can be no guarantee that the Chinese government's current or future interpretation and application of the existing and new regulations will not negatively impact our business in China, result in regulatory investigations or lead to fines or penalties against us or our Chinese Members. If our business practices are deemed to be in violation of applicable regulations as they are or may be interpreted or enforced, or modified regulations, in particular with respect to the factors used in determining the services a service provider is eligible to perform and service fees they are eligible to earn and to receive, then we could be sanctioned and/or required to change our business model, either of which could have a significant adverse impacton our business in China.

Chinese regulations prevent persons who are not Chinese nationals from engaging in direct selling in China. We cannot guarantee that any of our Members living outside of China or any of our sales representatives or independent service providers in China have not engaged or will not engage in activities that violate our policies in this market, or that violate Chinese law or other applicable law, and therefore result in regulatory action and adverse publicity.

China has also enacted labor contract and social insurance legislation. We have reviewed our employment contracts and contractual relations with employees in China, which include certain of our employed sales personnel, and have transferred those employed sales personnel to independent service providers and have made such other changes as we believe to be necessary or appropriate to bring these contracts and contractual relations into compliance with these laws and their implementing regulations. In addition, we continue to monitor the situation to determine how these laws and regulations will be implemented in practice. There is no guarantee that these laws will not adversely impact us, cause us to change our operating plan for China or otherwise have an adverse impact on our business operations in China.

We may continue to experience growth in China, and there can be no assurances that we will be able to successfully manage expansion of manufacturing operations and a growing and dynamic sales force. If we are unable to effectively scale our supply chain and manufacturing infrastructure to support future growth in China, our operations in China may be adversely impacted.

***If we fail to further penetrate existing markets, then the growth in sales of our products, along with our operating results, could be negatively impacted.***

The success of our business is to a large extent contingent on our ability to further penetrate existing markets which is subject to numerous factors, many of which are out of our control. 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 or consumers willing to purchase Herbalife products. Moreover, our growth will depend upon improved training and other activities that enhance Member retention in our markets. While we have recently experienced significant growth in certain of our markets, we cannot assure you that such growth levels will continue in the immediate or long term future. Furthermore, our efforts to support growth in such international markets could be hampered to the extent that our infrastructure in such markets is deficient when compared to our infrastructure in our more developed markets, such as the United States. Therefore, we cannot assure you that our general efforts to increase our market penetration and Member retention in existing markets will be successful. If we are unable to further penetrate existing markets, our operating results could suffer.

***Our business could be materially and adversely affected as a result of natural disasters, other catastrophic events, acts of war or terrorism, or cyber-security incidents and other acts by third parties.***

We depend on the ability of our business to run smoothly, including the ability of Members to engage in their day-to-day selling and business building activities and the ability of our inventories and products to move reasonably unimpeded around the world. Any material disruption caused by natural disasters, including, but not limited to, fires, floods, hurricanes, volcanoes, and earthquakes; power loss or shortages; environmental disasters; telecommunications or business information systems failures; acts of war or terrorism and other similar disruptions, including those due to cyber-security incidents, ransomware, or other actions by third parties, could adversely affect our ability to conduct business. If such disruptions result in significant cancellations of Member orders, contribute to a general decrease in local, regional or global economic activity, directly impact our marketing, manufacturing, financial or logistics functions, or impair our ability to meet Member demands, our operating results and financial condition could be materially adversely affected. For example, our operations in Mexico were impacted by flooding in September 2017. The severe weather conditions directly affected inventory stored at that facility. Furthermore, our headquarters and one of our distribution facilities are located in Southern California, an area susceptible to earthquakes. Although the events in Mexico did not have a material negative impact to our Mexico operations, we cannot assure you that any future natural disasters, catastrophic events, acts of war or terrorism and other similar disruptions, including those due to cyber-security incidents, ransomware, or other actions by third parties, will not adversely affect our ability to operate our business and our financial condition and results of operations.

***Our contractual obligation to sell our products only through our Herbalife Member network and to refrain from changing certain aspects of our Marketing Plan may limit our growth.***

We are a party to an agreement with our Members that provides assurances, to the extent legally permitted, we will not sell Herbalife products worldwide through any distribution channel other than our network of independent Herbalife Members. 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 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, this agreement with our Members provides that we will not make any material changes adverse to our Members to certain aspects of our Marketing Plan without the approval described below. For example, our agreement with our Members provides that we may increase, but not decrease, the discount percentages available to our Members for the purchase of products or the applicable royalty override percentages, and production and other bonus percentages available to our Members at various qualification levels within our Member 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 Members further provides that we may not vary the criteria for qualification for each Member tier within our Member 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 Members 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, we may initiate other changes that are adverse to our Members based on an assessment of what will be best for the Company and its Members. Under the agreement with our Members, these other adverse changes would then be submitted to our Member leadership for a vote. The vote would require the approval of at least 51% of our Members then at the level of President's Team earning at the production bonus level of 6% who vote, provided that at least 50% of those Members entitled to vote do in fact vote. Therefore, while we believe that this agreement has strengthened our relationship with our existing Members, improved our ability to recruit new Members and generally increased the long-term stability of our business, there can be no assurance that our agreement with our Members 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 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.***

Our ability to provide products and services to our Members depends on the performance and availability of our core transactional systems. We operate our global back office transactional systems on an Oracle Enterprise Suite which is supported by a robust hardware and network infrastructure. The Oracle Enterprise Suite is a scalable and stable solution that provides a solid foundation upon which we are building our next generation Member facing Internet toolset. While we continue to invest in our information technology infrastructure, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of our future business needs.

The most important aspect of our information technology infrastructure is the system through which we record and track Member 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 adverse impact on 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 Members 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. Any such errors could create compliance risks under the Consent Order or any applicable laws or regulations.Such errors may be expensive or difficult to correct ina 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.

Our ability to effectively manage our network of Members, and to ship products, and track royalty and bonus payments on a timely basis, depends significantly on our information systems. The failure of our information systems to operate effectively, or a breach in security of these systems, could adversely impact the promptness and accuracy of our product distribution and transaction processing. We could be required to make significant additional expenditures to remediate any such failure, problem or breach.

Anyone who is able to circumvent our security measures could misappropriate confidential or proprietary information, including that of third parties such as our Members, cause interruption in our operations, damage our computers or otherwise damage our reputation and business. We may need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage our reputation and result in a violation of applicable privacy and other laws, legal and financial exposure, including litigation and other potential liability, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation as a brand, business partner or employer. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur we could incur significant expenses addressing such problems. Since we collect and store Member and vendor information, including credit card information, these risks are heightened.

In addition, the use and handling of this information is regulated by evolving and increasingly demanding laws and regulations, such as the European Union General Data Protection Regulation, or the GDPR, which will take effect in May 2018. These laws and regulations are increasing in complexity and number, change frequently and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. If we fail to comply with these laws or regulations, we could be subject to significant litigation, monetary damages, regulatory enforcement actions or fines in one or more jurisdictions, which could have a material adverse effect on our results of operations.

***Since we rely on independent third parties for the manufacture and supply of certain of our products, if these third parties fail to reliably supply products to us at required levels of quality and which are manufactured in compliance with applicable laws, including the dietary supplement and OTC drug cGMPs, then our financial condition and operating results would be harmed.***

A significant portion of our products are manufactured by third-party contract manufacturers. We cannot assure you that our outside contract manufacturers will continue to reliably supply products to us at the levels of quality, or the quantities, we require, and in compliance with applicable laws, including under the FDA's cGMP regulations. Additionally, while we are not presently aware of any current liquidity issues with our suppliers, we cannot assure you that they will not experience financial hardship.

For the portion of our product supply that is self-manufactured, we believe we have significantly lowered the product supply risk, as the risk factors of financial health, liquidity, capacity expansion, reliability and product quality are all within our control. However, increases to the volume of products that we self-manufacture in our Winston-Salem, Lake Forest, Nanjing, Suzhou, and Changsha facilities raise the concentration risk that a significant interruption of production at any of our facilities due to, for example, natural disasters including earthquakes, hurricanes and floods, technical issues or work stoppages could impede our ability to conduct business. While our business continuity programs contemplate and plan for such events, if we were to experience such an event resulting in the temporary, partial or complete shutdown of one of these manufacturing facilities, we could be required to transfer manufacturing to the surviving facility and/or third-party contract manufacturers if permissible. When permissible, converting or transferring manufacturing to a third-party contract manufacturer could be expensive, time-consuming, result in delays in our production or shipping, reduce our net sales, damage our relationship with Members and damage our reputation in the marketplace, any of which could harm our business, results of operations and financial condition.

Our product supply contracts generally have a three-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 50 product suppliers, with Fine Foods (Italy) being a major supplier for meal replacements, protein powders and nutritional supplements. Additionally, we use contract manufacturers in the United States, India, Brazil, Korea, Japan, Taiwan, Germany, and the Netherlands to support our global business. In the event any of our contract 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 the loss of sales. In addition, any actual or perceived degradation of product quality as a result of reliance on contract 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 trade name rights used in connection with the packaging, marketing and distribution of our products in the markets where those products are sold. Therefore, trademark and trade name 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 trade name 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.

Unlike in most of the other markets in which we operate, limited protection of intellectual property is available under Chinese law. Accordingly, we face an increased risk in China that unauthorized parties may attempt to copy or otherwise obtain or use our trademarks, copyrights, product formulations or other intellectual property. Further, because Chinese commercial law is relatively undeveloped, we may have limited legal recourse in the event we encounter significant difficulties with intellectual property theft or infringement. As a result, we cannot assure you that we will be able to adequately protect our product formulations or other intellectual property.

We permit the limited use of our trademarks by our Members to assist them in marketing our products. It is possible that doing so may increase the risk of unauthorized use or misuse of our trademarks in markets where their registration status differs from that asserted by our Members, or they may be used in association with claims or products in a manner not permitted under applicable laws and regulations. Were these to occur it is possible that this could diminish the value of these marks or otherwise impair our further use of these marks.

***If our Members 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 Members, our Members must nevertheless advertise our products in compliance with the extensive regulations that exist in certain jurisdictions, such as the United States, which 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 our Members and attempt to monitor our Members' marketing materials, we cannot ensure that all such materials comply with applicable regulations, including bans on therapeutic claims. If our Members fail to comply with these restrictions, then we and our Members 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 Members in such an instance would be dependent on a determination that we either controlled or condoned a noncompliant advertising practice, there can be no assurance that we could not be held vicariously liable for the actions of our Members.

***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 depend upon our ability to timely produce innovative products and product enhancements that motivate our Members 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 generally not patented domestically or abroad, and the legal protections afforded by common law and contractual proprietary rights in our products provide only limited protection and may be time-consuming and expensive to enforce 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 or superior to our products.

Monitoring infringement or misappropriation of intellectual property can be difficult and expensive, and we may not be able to detect every 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.

Additionally, third parties may claim that products or marks that we have independently developed or which bear certain of our trademarks infringe upon their intellectual property rights and there can be no assurance that one or more of our products or marks will not be found to infringe upon third-party intellectual property rights in the future.

***Since one of our products constitutes a significant portion of our net 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.***

For 2017, 2016, and 2015, our Formula 1 Healthy Meal, our best-selling product line, approximated 30% of our net sales. 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 could be harmed.***

We depend on the continued services of our Executive Chairman, Michael O. Johnson, our Chief Executive Officer, Richard P. Goudis, and our senior management team as it works closely with the senior Member leadership to create an environment of inspiration, motivation and entrepreneurial business success. Any significant leadership change or senior management transition involves inherent risk and any failure to ensure a smooth transition could hinder our strategic planning, execution and future performance. While we strive to mitigate the negative impact associated with changes to our senior management team, there may be uncertainty among investors, employees, Members and others concerning our future direction and performance. Any disruption in our operations or uncertainty could have a material adverse effect on our business, financial condition or results of operations.

Additionally, although we have entered into employment agreements with certain members of our senior management team, 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 adversely impact our Member relations and operating results. If any of these executives do not remain with us, our business could suffer. Also, the loss of key personnel, including our regional and country managers, could negatively impact our ability to implement our business strategy, and our continued success will also be dependent on 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 international operations are subject to the laws and regulations of the United States and many foreign countries, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other similar laws in a number of countries.***

We are subject to a variety of laws regarding our international operations, including the U.S. Foreign Corrupt Practices Act, or the FCPA, the U.K. Bribery Act of 2010, or the UK Bribery Act, and regulations issued by U.S. Customs and Border Protection, U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, and various foreign governmental agencies. The FCPA, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business as well as requiring companies to maintain accurate books and records. In recent years there has been a substantial increase in anti-bribery law enforcement activity with more frequent and aggressive investigations and enforcement proceedings by both the Department of Justice and the SEC, increased enforcement activity by non-U.S. regulators and increases in criminal and civil proceedings brought against companies and individuals. Our policies mandate compliance with these anti-bribery laws, including the requirements to maintain accurate information and internal controls. We operate in many parts of the world that have experienced governmental corruption to some degree and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Notwithstanding our compliance programs, which include annual training and certification requirements, there is no assurance that our internal control policies and procedures will protect us from acts committed by our employees or agents. Additionally, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing or new laws might be administered or interpreted. Alleged or actual violations of any such existing or future laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others) may result in criminal or civil sanctions, including contract cancellations or debarment, and loss of reputation, which could have a material adverse effect on our business, financial condition, and results of operations. As previously disclosed, the SEC and the Department of Justice have been conducting an investigation into the Company's anti-corruption compliance in China, which has mainly focused on entertainment and gift expenditures by the Company's local China external affairs department. The government has requested and is continuing to request documents and other information relating to these matters. The Company is conducting its own review and has taken remedial and improvement measures based upon this review, including replacement of a number of employees in China and enhancements of Company policies and procedures in China. The Company is continuing to cooperate with the government and cannot predict the eventual scope, duration, or outcome of the government investigation at this time.

***The United Kingdom's vote to exit from the European Union could adversely impact us.***

On June 23, 2016, in a referendum vote commonly referred to as "Brexit," a majority of British voters voted to exit the European Union and, in March 2017, the British government delivered formal notice of the U.K.'s intention to leave the European Union. The British government is currently in negotiations with the European Union to determine the terms of the U.K.'s exit. A withdrawal could potentially disrupt the free movement of goods, services and people between the U.K. and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the U.K. and the European Union or other nations as the U.K. pursues independent trade relations. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which European Union laws to replace or replicate. The effects of Brexit will depend on any agreements the U.K. makes to retain access to European Union or other markets either during a transitional period or more permanently. It is unclear what long-term economic, financial, trade and legal implications the withdrawal of the U.K. from the European Union would have and how such withdrawal would affect our business globally and in the region. In addition, Brexit may lead other European Union member countries to consider referendums regarding their European Union membership. Any of these events, along with any political, economic and regulatory changes that may occur, could cause political and economic uncertainty in Europe and internationally and harm our business and financial results.

***The covenants in our existing indebtedness 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 credit facility contains financial and operating 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 or guarantee additional debt;
- impose dividend or other distribution restrictions on our subsidiaries; and
- create liens on our and our subsidiaries' assets.

In addition, our credit facility requires us to meet certain financial ratios and financial conditions. Our 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 credit facility, which is secured by the equity interests of certain of our subsidiaries and substantially all of the assets of the domestic loan parties, against which the lenders thereunder could proceed to foreclose.

***We may use from time to time a certain amount of cash in order to satisfy the obligations relating to our convertible notes. The maturity or conversion of any of our convertible notes may adversely affect our financial condition and operating results, which could adversely affect the amount or timing of future potential share repurchases or the payment of dividends to our shareholders.***

In February 2014, we issued convertible senior notes due on August 15, 2019, or the 2019 Convertible Notes, in the aggregate principal amount of $1.15 billion, of which $675 million aggregate principal amount remains outstanding. Additionally, in March 2018, we issued convertible senior notes due on March 15, 2024, or the 2024 Convertible Notes, in the aggregate principal amount of $550 million. On their respective maturity dates, we will have to pay the holders of the 2019 Convertible Notes and the 2024 Convertible Notes the full aggregate principal amount of the 2019 Convertible Notes or 2024 Convertible Notes then outstanding.

Holders of our 2019 Convertible Notes may convert their notes at their option under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending March 31, 2014, if the last reported sale price of our common shares for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price for the 2019 Convertible Notes on each applicable trading day; (ii) during the five business-day period immediately after any five consecutive trading day period, or the measurement period, in which the trading price per $1,000 principal amount of 2019 Convertible Notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common shares and the conversion rate for the 2019 Convertible Notes for each such day; or (iii) upon the occurrence of specified corporate events. On and after May 15, 2019, holders may convert their 2019 Convertible Notes at any time, regardless of the foregoing circumstances.

Holders of our 2024 Convertible Notes may convert their notes at their option under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending June 30, 2018, if the last reported sale price of our common shares for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price for the 2024 Convertible Notes on each applicable trading day; (ii) during the five business-day period immediately after any five consecutive trading day period, or the measurement period, in which the trading price per $1,000 principal amount of 2024 Convertible Notes for each trading day of that measurement period was less than 98% of the product of the last reported sale price of our common shares and the conversion rate for the 2024 Convertible Notes for each such day; (iii) if the Company calls the 2024 Convertible Notes for redemption; or (iv) upon the occurrence of specified corporate events. On and after December 15, 2023, holders may convert their 2024 Convertible Notes at any time, regardless of the foregoing circumstances.

Upon conversion of the 2019 Convertible Notes, the principal amount is due in cash, and to the extent that the conversion value exceeds the principal amount, the difference is due in common shares. The 2024 Convertible Notes may be settled in cash, common shares, or a combination of cash and common shares, at our option. If one or more holders elect to convert their 2019 Convertible Notes or their 2024 Convertible Notes when conversion is permitted, we could be required to make cash payments equal to the par amount of each 2019 Convertible Note, and we could elect to make cash payments to satisfy our conversion obligations with respect to the 2024 Convertible Notes, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2019 Convertible Notes or 2024 Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of our 2019 Convertible Notes or 2024 Convertible Notes as a current rather than long-term liability, which could result in a material reduction of our net working capital. Payment of cash upon conversion of the 2019 Convertible Notes or the 2024 Convertible Notes, or any adverse accounting treatment of the 2019 Convertible Notes or 2024 Convertible Notes, may adversely affect our financial condition and operating results, each of which could in turn adversely impact the amount or timing of future potential share repurchases or the payment of dividends to our shareholders.

***The conversion of any of the convertible notes into common shares could have a dilutive effect that could cause our share price to go down.***

The 2019 Convertible Notes, until May 15, 2019, and the 2024 Convertible Notes, until December 14, 2023, are convertible into common shares only if specified conditions are met and thereafter convertible at any time, at the option of the holder. We have reserved common shares for issuance upon conversion of the 2019 Convertible Notes and 2024 Convertible Notes. Upon conversion of the 2019 Convertible Notes, the principal amount is due in cash, and to the extent that the conversion value exceeds the principal amount, the difference is due in common shares. While we have entered into capped call transactions to effectively increase the conversion of the 2019 Convertible Notes and lessen the risk of dilution to shareholders upon conversion, if the market price of our common shares, as measured under the terms of the capped call transactions, exceeds the cap price of the capped call transactions, the number of our common shares we receive upon exercise of the capped call transactions will be capped. In that case, there would be dilution in respect of our common shares, because the number of our common shares or amounts of cash that we would owe upon conversion of the 2019 Convertible Notes in excess of the principal amount of converted 2019 Convertible Notes would exceed the number of common shares that we would be entitled to receive upon exercise of the capped call transactions, which would cause a dilutive effect that could cause our share price to go down. Upon conversion of the 2024 Convertible Notes, we may deliver cash, common shares or a combination of cash and common shares, at our option, to satisfy our conversion obligations. We did not enter into any similar arrangements to the capped call transactions in connection with the issuance of the 2024 Convertible Notes.

If any or all of the 2019 Convertible Notes or 2024 Convertible Notes are converted into common shares, our existing shareholders will experience immediate dilution of voting rights and our common share price may decline. Furthermore, the perception that such dilution could occur may cause the market price of our common shares to decline. The conversion rate for the 2019 Convertible Notes as of February 7, 2014, the date of issuance thereof, was 11.5908 common shares per $1,000 principal amount or a conversion price of approximately $86.28 per common share, and the conversion rate for the 2024 Convertible Notes as of March 23, 2018, the date of issuance thereof, was 8.0028 common shares per $1,000 principal amount or a conversion price of approximately $124.96 per common share. Because the conversion rate of the 2019 Convertible Notes and 2024 Convertible Notes adjusts upward upon the occurrence of certain events, our existing shareholders may experience more dilution if any or all of the 2019 Convertible Notes or 2024 Convertible Notes are converted into common shares after the adjusted conversion rates became effective.

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

As a multinational corporation, operating 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 post surety, in order to challenge the assessments.

The imposition of new taxes, even pass-through taxes such as VAT, could have an impact on our perceived product pricing and will likely require that we increase prices in certain jurisdictions and therefore could have a potential negative impact on our business and results of operations. We have reserved in our 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 which could potentially be material. 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 or our positions regarding the payment of income taxes, customs duties, value added taxes, withholding taxes, sales and use, and other taxes, we could become subject to higher taxes, we may determine it is necessary to raise prices in certain jurisdictions accordingly and our revenue and earnings and our results of operations could be adversely affected.

See Note 5, *Contingencies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Qfor further information on contingencies relating to VAT and other related matters.

***U.S. Tax Reform may adversely impact certain U.S. shareholders of the Company***

The Tax Cuts and Jobs Act of 2017 ("U.S. Tax Reform") was enacted on December 22, 2017. U.S. Tax Reform is expected to impact whether we, or any of our non-U.S. corporate subsidiaries, are treated as controlled foreign corporations ("CFCs"), including on a retroactive basis. This may result in certain U.S. shareholders being subject to special and potentially adverse tax treatment, including the current inclusion of income of certain of our foreign subsidiaries.

A company will be classified as a CFC, for any particular taxable year, if U.S. persons (including individuals and entities) who own 10% or more of the voting power or value (the "10% Tests") of the shares ("10% U.S. Shareholders") own, in the aggregate, more than 50% of the total combined voting power or value of the shares. In determining the voting power of the shares, special voting rights to appoint directors, whether by law, agreement, or other arrangement, may also be taken into account. For purposes of applying the 10% Tests, certain constructive ownership rules apply, which attribute share ownership among certain family members and certain entities and their owners. The constructive ownership rules may also attribute share ownership to persons (including individuals and entities) that are entitled to acquire shares pursuant to an option, such as the holders of our 2019 Convertible Notes and 2024 Convertible Notes. U.S. Tax Reform expanded the constructive ownership rules causing non-U.S. corporations that were not previously classified as CFCs to become CFCs. These constructive ownership rules are significantly complex and circumstance specific.

While we do not believe that Herbalife Nutrition Ltd. is classified as a CFC, such entity and one or more of our non-U.S. corporate subsidiaries not already classified as a CFC could be classified as CFCs either (i) as a result of additional changes to tax laws, including future pronouncements or other guidance from the Internal Revenue Service, or (ii) on the basis of an increase in the percentage ownership of our stock by shareholders who presently hold, or in the future may hold, 10% or more of our shares, as a result of future share acquisitions or after taking into account the impact of any share repurchases we may undertake.

In addition, as a result of U.S. Tax Reform, one or more of our non-U.S. corporate subsidiaries not previously classified as CFCs will now likely be CFCs (the "New Herbalife CFC Subsidiaries"). Any such New Herbalife CFC Subsidiary will be treated as a CFC for its 2017 and future taxable years as determined on a year-by-year basis. As a result of one or more of our non-U.S. corporate subsidiaries being classified as New Herbalife CFC Subsidiaries, our 10% U.S. Shareholders will be subject to special and potentially adverse tax treatment on an on-going basis, including the inclusion of certain income generated during each taxable year by such New Herbalife CFC Subsidiaries. Any shareholders who own, or contemplate owning, 10% or more of our shares (taking into account the impact of any share repurchases we may undertake as well as the impact of the constructive ownership rules) are urged to consult their tax advisors with respect to the special rules applicable to 10% U.S. Shareholders of CFCs.

Further, under U.S. Tax Reform, a one-time tax is imposed upon 10% U.S. Shareholders on certain historic accumulated, undistributed foreign earnings of CFCs and other "specified foreign corporations," which earnings have not been previously subject to tax at the U.S. shareholder level (the "Mandatory Repatriation Tax"). A specified foreign corporation is any CFC or other non-U.S. corporation that has at least one U.S. corporate shareholder that is a 10% U.S. Shareholder. The Company believes that it may be classified as a specified foreign corporation and that one or more of its non-U.S. corporate subsidies may be classified as specified foreign corporations. Because the rules relating to the Mandatory Repatriation Tax are subject to additional guidance, including anticipated Internal Revenue Service pronouncements or other clarifications, shareholders who own, or contemplate owning, 10% or more of our shares (taking into account the impact of any share repurchases we may undertake pursuant to share repurchase programs as well as the impact of the constructive ownership rules) are urged to consult their tax advisors.

No assurances can be given that future legislative, administrative, or judicial developments will not result in an increase in the amount of U.S. taxes payable by an investor in our shares. If any such developments occur, such developments could have a material and adverse effect on an investment in our shares.

***Changes in tax laws, treaties or regulations, or their interpretation could adversely affect us.***

A change in applicable tax laws, treaties or regulations or their interpretation could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results. The Organisation for Economic Co-operation and Development has, within recent years, released guidance covering various international tax standards as part of its "base erosion and profit shifting" or "BEPS" initiative. The anticipated implementation of BEPS by non-U.S. jurisdictions in which we operate could result in changes to tax laws and regulations, including with respect to transfer pricing that could materially increase our effective tax rate.

No assurances can be given that future legislative, administrative, or judicial developments will not result in an increase in the amount of U.S. taxes payable by us or our subsidiaries. If any such developments occur, our business, financial condition, and results of operations could be materially and adversely affected.

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

Our Members 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 social contributions, and to maintain appropriate records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security, withholding or other taxes with respect to payments to our Members. In addition, in the event that local laws and regulations or the interpretation of local laws and regulations change to require us to treat our Members as employees, or that our Members 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 contributions, withholding and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results. See Note 5, *Contingencies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a more specific discussion of contingencies related to the activities of our Members.

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

Our ingestible products include vitamins, minerals and botanicals and other ingredients and 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 some ingredients that do not have long histories of human consumption. We rely upon published and unpublished safety information including clinical studies on ingredients used in our products and conduct limited clinical studies on some key products but not all products. 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 level of self-insured retentions that we have accepted under our current product liability insurance policies, which is $12.5 million, in certain cases we may be subject to the full amount of liability associated with any injuries, which could be substantial.

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

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law (2018 Revision), or the Companies Law, 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, shareholders may have more difficulty in protecting their interests in the face of actions by our management or board of directors 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.

Shareholders of Cayman Islands exempted companies such as Herbalife have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of our shareholders. 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.

A shareholder can bring a suit personally where its individual rights have been, or are about to be, infringed. Our Cayman Islands counsel, Maples and Calder, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability of such actions. In most cases, we would be the proper plaintiff where an action is brought to redress any loss or damage suffered by us, or based on a breach of duty owed to us, and a claim against, for example, our officers or directors usually may not be brought by a shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle may apply and a shareholder may be permitted to bring a claim derivatively on a company's behalf, where:

- a company is acting or proposing to act illegally or outside the scope of its corporate authority;

- the act complained of, although not acting outside the scope of its corporate authority, could be effected only if authorized by more than a simple majority vote; or
- those who control the company are perpetrating a "fraud on the minority".

***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 reduce shareholders' opportunity to influence management of the Company.***

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 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.

The Cayman Islands have provisions under the Companies Law to facilitate mergers and consolidations between Cayman Islands companies and non-Cayman Islands companies (provided that is facilitated by the laws of such other jurisdiction). These provisions, contained within Part XVI of the Companies Law, are broadly similar to the merger provisions provided for under Delaware Law.

There are however a number of important differences that could impede a takeover. First, the threshold for approval of the merger plan by shareholders is higher. The threshold is a special resolution of the shareholders (being 66 2/3% of those present in person or by proxy and voting) together with such other authorization, if any, as may be specified in the articles of association.

Additionally, the consent of each holder of a fixed or floating security interest (in essence a documented security interest as opposed to one arising by operation of law) is required to be obtained unless the Grand Court of the Cayman Islands waives such requirement.

The merger provisions contained within Part XVI of the Companies Law do contain shareholder appraisal rights similar to those provided for under Delaware law. Such rights are limited to a merger under Part XVI and do not apply to schemes of arrangement as discussed below.

The Companies Law also contains separate statutory provisions that provide for the merger, reconstruction and amalgamation of companies. These 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 a majority in number of each class of the company's shareholders who are present and voting (either in person or by proxy) at such meeting. The shares voted in favor of the scheme of arrangement must also represent at least 75% of the value of each relevant class of the company's shareholders present and voting at the meeting. The convening of these meetings and the terms of the arrangement must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect creditors' interests. Furthermore, the court will only approve a scheme of arrangement if it is satisfied that:

- we are not proposing to act illegally or beyond the scope of our Company's corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders who voted at the meeting in question fairly represent the relevant class of shareholders to which they belong;
- 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 or that would amount to a "fraud on the minority".

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

In addition, if an offer by a third-party to purchase shares in us has been approved by the holders of at least 90% of our issued and outstanding shares (not including such a third-party) pursuant to an offer within a four-month period of making such an offer, the purchaser may, during the two months following expiration of the four-month period, require the holders of the remaining shares to transfer their shares on the same terms on which the purchaser acquired the first 90% of our issued and outstanding shares. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

***There is uncertainty as to shareholders' 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 our shareholders 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, impeachable on the grounds of fraud, and was not obtained in a manner, and is not of a kind, the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. There is doubt, however, as to whether the Grand Court of the Cayman Islands will (1) 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 (2) 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.

Mail addressed to the Company and received at its registered office will be forwarded unopened to the forwarding address supplied by the Company. None of Herbalife, its directors, officers, advisors or service providers (including the organization that provides registered office services in the Cayman Islands) will bear any responsibility for any delay caused in mail reaching the forwarding address.

***Our stock price may be adversely affected by third parties who raise allegations about our Company.***

Short sellers and others who raise allegations regarding the legality of our business activities, some of whom are positioned to profit if our stock declines, can negatively affect our stock price. In late 2012, a hedge fund manager publicly raised allegations regarding the legality of our network marketing program and announced that his fund had taken a significant short position regarding our common shares, leading to intense public scrutiny and significant stock price volatility. Following this public announcement in December 2012, our stock price dropped significantly. This hedge fund manager has made allegations regarding the legality of our network marketing program, our product safety, our accounting practices and other matters. Additionally, from time to time the Company is subject to governmental and regulatory inquiries and inquiries from legislators that may adversely affect our stock price. Our stock price has continued to exhibit heightened volatility and the short interest in our common shares continues to remain high. Short sellers expect to make a profit if our common shares decline in value, and their actions and their public statements may cause further volatility in our share price. While a number of traders have publicly announced that they have taken long positions contrary to the hedge fund shorting our shares, the existence of such a short interest position and the related publicity may lead to continued volatility. The volatility of our stock may cause the value of a shareholder's investment to decline rapidly.

**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

(a) None.

(b) None.

(c) On February 21, 2017, our board of directors authorized a new three-year $1.5billion share repurchase program that will expire onFebruary 21, 2020, which replaced our prior share repurchase authorization which was set to expire on June 30, 2017 and had approximately $233 million of remaining authorized capacity as of December 31, 2016. This share repurchase program allows us, which includes awholly-owned subsidiary of Herbalife Nutrition Ltd., to repurchase our common shares, at such times and prices as determined by our management as market conditions warrant, and to the extentHerbalife Nutrition Ltd.'s distributable reserves are available under Cayman Islands law. The Credit Facility permits us to repurchase our common shares as longas no default or event of default exists and other conditions such as specified consolidated leverage ratios are met. As of March 31, 2018, the remaining authorized capacity under the Company's share repurchase program was approximately $713.3 million. The following is a summary of our repurchases of common shares during thethree months ended March 31, 2018, all of which were repurchased by our indirect wholly-owned subsidiary. For further information on our share repurchases, see Note 10, *Shareholders' Deficit*, to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q:

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| **January 1 — January 31** | 4,200 | $ 67.79 | 4,200 | $ 713,303,965 |
| **February 1 — February 28** | — | $ — | — | $ 713,303,965 |
| **March 1 — March 31** | — | $ — | — | $ 713,303,965 |
| | 4,200 | $ 67.79 | 4,200 | $ 713,303,965 |

**Item 3.** ***Defaults Upon Senior Securities***

None.

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

**Item 5.** ***Other Information***

(a) None.

(b) None.

**Item 6.** ***Exhibits***

(a) Exhibit Index:

## EXHIBIT INDEX

| Exhibit Number | Description | Reference |
|---|---|---|
| 3.1 | Form of Amended and Restated Memorandum and Articles of Association of Herbalife Ltd. | (g) |
| 4.1 | Form of Share Certificate | (c) |
| 4.2 | Indenture between Herbalife Ltd. and Union Bank, N.A., as trustee, dated February 7, 2014, governing the 2.00% Convertible Senior Notes due 2019 | (e) |
| 4.3 | Form of Global Note for 2.00% Convertible Senior Note due 2019 (included as Exhibit A to Exhibit 4.2 hereto) | (e) |
| 4.4 | Indenture between Herbalife Ltd. and MUFG Union Bank, N.A., as trustee, dated March 23, 2018, governing the 2.625% Convertible Senior Notes due 2024 | (p) |
| 4.5 | Form of Global Note for 2.625% Convertible Senior Notes due 2024 (included as Exhibit A to Exhibit 4.4 hereto) | (p) |
| 10.1# | Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended | (a) |
| 10.2# | Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended | (a) |
| 10.3# | Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended | (a) |
| 10.4# | Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor | (a) |
| 10.5# | Side Letter Agreement dated as of April 3, 2003 by and among WH Holdings (Cayman Islands) Ltd., Michael O. Johnson and the Shareholders listed therein | (a) |
| 10.6 | Form of Indemnification Agreement between Herbalife Ltd. and the directors and certain officers of Herbalife Ltd. | (b) |
| 10.7# | Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan | (g) |
| 10.8# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement | (i) |
| 10.9# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement | (i) |
| 10.10# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Michael O. Johnson | (i) |
| 10.11# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Richard P. Goudis | (i) |
| 10.12# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Michael O. Johnson | (l) |
| 10.13# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Richard P. Goudis | (l) |
| 10.14# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement | (l) |
| 10.15# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement | (l) |
| 10.16# | Herbalife Ltd. Employee Stock Purchase Plan | * |
| 10.17# | Amendment to Herbalife International Inc. 401K Profit Sharing Plan and Trust | (f) |
| 10.18# | Form of Independent Directors Stock Appreciation Right Award Agreement | (g) |
| 10.19# | Herbalife Ltd. Amended and Restated Independent Directors Deferred Compensation and Stock Unit Plan | (g) |
| 10.20# | Amended and Restated Non-Management Directors Compensation Plan | (h) |
| 10.21# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Non-Employee Directors Stock Appreciation Right Award Agreement | (h) |
| 10.22# | Severance Agreement by and between John DeSimone and Herbalife International of America, Inc., dated as of February 23, 2011 | (i) |
| 10.23# | Amended and Restated Severance Agreement, dated as of February 23, 2011, by and between Desmond Walsh and Herbalife International of America, Inc. | (i) |
| 10.24 | Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc., Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer | (i) |

| Exhibit Number | Description | Reference |
|---|---|---|
| 10.25 | First Amendment, dated July 26, 2012, to Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc., Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer | (l) |
| 10.26# | Amendment to Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan | (i) |
| 10.27 | Second Amendment, dated February 3, 2014, to Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. Herbalife Ltd., Herbalife International Luxembourg S.a.R.L., certain subsidiaries of HII as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer | (d) |
| 10.28 | Form of Forward Share Repurchase Confirmation | (e) |
| 10.29 | Form of Base Capped Call Confirmation | (e) |
| 10.30 | Form of Additional Capped Call Confirmation | (e) |
| 10.31# | Form of Herbalife Ltd. 2005 Stock Incentive Plan Performance Condition Stock Appreciation Right Award Agreement | (e) |
| 10.32# | Amended and Restated Herbalife Ltd. 2014 Stock Incentive Plan | (i) |
| 10.33 | Third Amendment to Credit Agreement dated as of May 4, 2015, among Herbalife Ltd., Herbalife International, Inc., Herbalife International Luxembourg S.a.R.L., the guarantors part thereto, the lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer | (g) |
| 10.34# | Herbalife Ltd. Executive Incentive Plan | (i) |
| 10.35 | Stipulation to Entry of Order for Permanent Injunction and Monetary Judgment | (j) |
| 10.36 | Second Amended and Restated Support Agreement, dated July 15, 2016, by and among Herbalife Ltd., Carl C. Icahn, Icahn Partners Master Fund LP, Icahn Offshore LP, Icahn Partners LP, Icahn Onshore LP, Beckton Corp., Hopper Investments LLC, Barberry Corp., High River Limited Partnership, Icahn Capital LP, IPH GP LLC, Icahn Enterprises Holdings LP, and Icahn Enterprises GP Inc. | (j) |
| 10.37# | Amended and Restated Employment Agreement by and between Richard P. Goudis and Herbalife International of America, Inc., dated as of November 1, 2016 | (k) |
| 10.38# | Letter Agreement by and between Michael O. Johnson and Herbalife International of America, Inc., dated November 1, 2016 | (k) |
| 10.39# | Herbalife International of America, Inc. Executive Officer Severance Plan | (k) |
| 10.40 | Credit Agreement, dated as of February 15, 2017, by and among HLF Financing S.à r.l., HLF Financing US, LLC, Herbalife Ltd., Herbalife International Luxembourg S.à R.L., Herbalife International, Inc., the several banks and other financial institutions or entities from time to time party thereto, Credit Suisse AG, Cayman Islands Branch, as Term Administrative Agent and Collateral Agent, and Coöperatieve Rabobank U.A., New York Branch, as an Issuing Bank and the Revolver Administrative Agent | (k) |
| 10.41# | Stock Unit Award Agreement (Performance-Vesting) by and between Herbalife Ltd. and Richard P. Goudis dated as of June 6, 2017 | (l) |
| 10.42 | Agreement by and among Herbalife Ltd. and Carl C. Icahn and his controlled affiliates, dated August 21, 2017 | (m) |
| 10.43 | Contingent Value Rights Agreement by and between Herbalife Ltd. and Computershare Trust Company, N.A., as Administrative Agent, dated as of October 11, 2017 | (n) |
| 10.44# | Employment Agreement dated as of March 27, 2008 between Michael O. Johnson and Herbalife International of America, Inc. | * |
| 10.45# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Stock Unit Award Agreement | (o) |
| 10.46# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Stock Appreciation Right Award Agreement | (o) |
| 10.47# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Lead Director Stock Unit Award Agreement | (o) |
| 10.48# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Independent Directors Stock Unit Award Agreement | (o) |
| 10.49# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Performance Based Stock Appreciation Right Award Agreement | (o) |
| 10.50# | Form of Herbalife Ltd. 2014 Stock Incentive Plan Restricted Cash Unit Award Agreement | (o) |

| Exhibit Number | Description | Reference |
|---|---|---|
| 10.51 | First Amendment, effective as of March 16, 2018, to the Credit Agreement, dated as of February 15, 2017, by and among HLF Financing S.à r.l., HLF Financing US, LLC, Herbalife Ltd., Herbalife International Luxembourg S.à R.L., Herbalife International, Inc., the several banks and other financial institutions or entities from time to time party thereto, Credit Suisse AG, Cayman Islands Branch, as Term Administrative Agent and Collateral Agent, and Coöperatieve Rabobank U.A., New York Branch, as an Issuing Bank and the Revolver Administrative Agent | * |
| 10.52 | Form of Capped Call Partial Unwind Agreement | * |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer | * |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer | * |
| 32.1 | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer | * |
| 101.INS | XBRL Instance Document | * |
| 101.SCH | XBRL Taxonomy Extension Schema Document | * |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | * |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | * |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | * |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | * |

* Filed herewith.

\# Management contract or compensatory plan or arrangement.

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

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

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

(d) Previously filed on February 7, 2014 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(e) Previously filed on February 18, 2014 as an Exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and is incorporated by reference.

(f) Previously filed on July 28, 2014 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and is incorporated herein by reference.

(g) Previously filed on May 5, 2015 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and is incorporated herein by reference.

(h) Previously filed on August 5, 2015 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 and is incorporated herein by reference.

(i) Previously filed on May 5, 2016 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and is incorporated herein by reference.

(j) Previously filed on July 15, 2016 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

(k) Previously filed on February 23, 2017 as an Exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and is incorporated herein by reference.

(l) Previously filed on August 1, 2017 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and is incorporated herein by reference.

(m) Previously filed on August 21, 2017 as an Exhibit to the Company's Tender Offer Statement on Schedule TO and is incorporated herein by reference.

(n) Previously filed on October 11, 2017 as an Exhibit to the Company's Amendment No. 6 to its Tender Offer Statement on Schedule TO and is incorporated herein by reference.

(o) Previously filed on February 22, 2018 as an Exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and is incorporated herein by reference.

(p) Previously filed on March 29, 2018 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.

## SIGNATURES

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

**HERBALIFE NUTRITION LTD.**

By: /s/ BOSCO CHIU
Bosco Chiu
*Executive Vice President, Chief Financial Officer*

Dated: May 3, 2018

**Exhibit 10.16**

**HERBALIFE LTD.**
**EMPLOYEE STOCK PURCHASE PLAN**

(Adopted in March 15, 2007 and Approved by Shareholders April 26, 2007)

Herbalife Ltd. (the "Company") hereby establishes and adopts the Herbalife Ltd. Employee Stock Purchase Plan (the "Plan").

1. PURPOSE

The purpose of the Plan is to provide eligible employees of the Company and its subsidiaries with an opportunity to participate in the Company's success by purchasing the Company's Common Shares through payroll deductions. The Company intends the Plan to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and the provisions of the Plan shall be construed in a manner consistent with the requirements of Section 423 of the Code. Notwithstanding the foregoing, a subplan established pursuant to Section 11 hereof shall not be considered part of the Plan for purposes of Section 423 of the Code.

2. DEFINITIONS

2.1. "Account" shall mean the account maintained on behalf of the Committee to which are credited (i) payroll deductions pursuant to Section 6 and (ii) Common Shares acquired upon exercise of an option pursuant to Section 7.

2.2. "Authorization Form" shall mean a form established by the Committee authorizing payroll deductions as set forth in Section 4 and such other terms and conditions as the Committee from time to time may determine.

2.3. "Board" shall mean the board of directors of the Company.

2.4. "Committee" shall mean a committee of one or more members, designated by the Board to administer the Plan, which may consist of directors, officers or other employees.

2.5. "Common Shares" means the Company's common shares, par value $.001, subject to adjustment as provided in Section 14.

2.6. "Compensation" shall mean the regular salary of a Participant from the Company or a Designated Subsidiary. Compensation shall be determined prior to the Employee's pre-tax contributions pursuant to Section 125 and Section 401(k) of the Code, and shall exclude bonuses, compensation from the exercise of stock options or from non-taxable fringe benefits provided by the Company or a Designated Subsidiary.

2.7. "Designated Subsidiaries" shall mean Subsidiaries that have been designated by the Committee from time to time, in its sole discretion, as eligible to participate in the Plan.

2.8. "Eligible Employee" shall mean any Employee who has completed at least sixty (60) days of continuous employment with the Company or a Subsidiary excluding:

(a) any Employee who customarily is employed for 20 hours or less per week;

(b) any Employee who customarily is employed for not more than five (5) months in a calendar year, or

(c) any Employee who would own for purposes of Section 424(b)(3) of the Code, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company (or of a Subsidiary or parent, if any).

2.9. "Employee" means any individual classified as an employee (within the meaning of Section 3401(c) of the Code) by the Company or a Designated Subsidiary on the Company's or such Designated Subsidiary's payroll records during the relevant participation period. Individuals classified as independent contractors, consultants, advisers, or members of the Board or the board of directors of a Designated Subsidiary are not considered "Employees" solely by virtue of such station.

2.10. "Exercise Date" shall mean the last business day of each Offering Period in which payroll deductions are made under the Plan.

2.11. "Fair Market Value" per share as of a particular date shall mean the per share closing sales price of the Common Shares as reported on the New York Stock Exchange on that date (or if there were no reported prices on such date, on the last preceding date on which the prices were reported) or, if the Company is not then listed on the New York Stock Exchange, on such other principal securities exchange on which the Common Shares are traded.

2.12. "Offering Date" shall mean the first business day of each Offering Period.

2.13. "Offering Period" shall mean a period of six (6) months, or such other period of time as determined from time to time by the Committee. In no event shall an Offering Period exceed twenty-seven (27) months. The first Offering Period shall commence after shareholder approval of the Plan.

2.14. "Participant" shall mean an Eligible Employee who participates in the Plan.

2.15. "Subsidiary" shall mean any corporation having the relationship to the Company described in Section 424(f) of the Code.

3. SHARES SUBJECT TO THE PLAN

Subject to Section 14, 1,000,000 Common Shares may be issued under the Plan. Such shares may be authorized but unissued Common Shares or Common Shares acquired by the Company in the open market or otherwise. If the total number of shares which would otherwise be subject to options granted under the Plan on an Offering Date exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Committee shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable.  In such event, the Committee shall give written notice to each Participant of such reduction of the number of option shares affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

4. PARTICIPATION

4.1. Each Eligible Employee on an Offering Date shall become a Participant as of the Offering Date by completing an Authorization Form and filing it with the Committee by the date required by the Committee pursuant to such method as it may be establish from time to time in its sole discretion.  Such authorization will remain in effect for subsequent Offering Periods, until modified or terminated by the Participant.

4.2. Any person who first becomes an Eligible Employee during an Offering Period shall become a Participant as of the first day of a subsequent Offering Date by completing an Authorization Form and filing it with the Committee by the date required by the Committee pursuant to such method as may be established by the Committee from time to time in its sole discretion.  Such authorization will remain in effect for subsequent Offering Periods, until modified or terminated by the Participant.

4.3. A person shall cease to be a Participant upon the earliest to occur of:

(a) the date the Participant ceases to be an Eligible Employee for any reason;

(b) the first day of the Offering Period beginning after the date on which the Participant ceases payroll deduction under the Plan pursuant to Section 6.1; or

(c) the date of a withdrawal from the Plan by the Participant as provided in Section 9.

5. GRANT OF OPTION

5.1. On each Offering Date the Company shall grant each Participant an option to purchase Common Shares, subject to the limitations set forth in Sections 3 and 5.3.

5.2. The option price per Common Share subject to an offering shall be, unless otherwise determined by the Committee and communicated to Participants prior to the deadline for Participants to file their Authorization Forms for the Offering Period to which the Authorization Form applies, eighty-five percent (85%) of the Fair Market Value of a Common Share on the Exercise Date.

5.3. No Participant shall be granted an option which permits the Participant’s rights to purchase Common Shares under the Plan and all other employee stock purchase plans of the Company to accrue at a rate which exceeds $25,000 of the Fair Market Value of the Common Shares on the Offering Date for each calendar year in which such option is outstanding at any time; for purposes of this limitation, there shall be counted only options to which Section 423 of the Code applies.

6. PAYROLL DEDUCTIONS

6.1. A Participant may, in accordance with rules adopted by the Committee, file an Authorization Form that authorize a payroll deduction of any whole number percentage from one percent (1%) to ten percent (10%) (or such other percentage as may be established by the Committee from time to time in its sole discretion) of such Participant's Compensation on each pay period during the Offering Period. A Participant may increase such payroll deduction effective as of each Offering Date provided the Participant files an Authorization Form requesting the increase in accordance with rules established by the Committee. A Participant may decrease or cease payroll deductions during an Offering Period by filing an Authorization Form requesting the decrease or cessation in accordance with rules established by the Committee.

6.2. All payroll deductions made by a Participant shall be credited to the Participant's Account. A Participant may not make any additional payments to the Participant's Account.

7. EXERCISE OF OPTION

7.1. Unless a Participant withdraws from the Plan as provided in Section 9, the Participant's option to purchase Common Shares will be exercised automatically on the Exercise Date, and the maximum number of full Common Shares subject to such option will be purchased for such Participant at the applicable option price with the accumulated payroll deductions in the Participant's Account. No fractional shares shall be issued under the Plan.

7.2. The Common Shares purchased upon exercise of an option hereunder shall be credited to the Participant's Account and shall be deemed to be transferred to the Participant on the Exercise Date and, except as otherwise provided herein, the Participant shall have all rights of a shareholder with respect to such shares. Common Shares received upon stock dividends or stock splits shall be treated as having been purchased on the Exercise Date of the shares to which they relate.

8. DELIVERY OF COMMON SHARES

As promptly as practicable after receipt by the Committee of a request for withdrawal of Common Shares from any Participant in accordance with rules established by the Committee, the Committee shall arrange for delivery to such Participant of the Common Shares which the Participant requests to withdraw. Withdrawals may be made no more frequently than twice each calendar year unless approved by the Committee in its sole discretion.

9. WITHDRAWAL; TERMINATION OF EMPLOYMENT

9.1. A Participant may withdraw all, but not less than all, the payroll deductions and cash dividends credited to the Participant's Account at any time by giving written notice to the Committee which is received at least thirty (30) days prior to the Exercise Date (or such other notice period as may be established by the Committee from time to time in its sole discretion). All such payroll deductions and cash dividends credited to the Participant's Account will be paid to the Participant promptly after receipt of such Participant's notice of withdrawal and the Participant's option for the Offering Period in which the withdrawal occurs will be automatically terminated. No further payroll deductions for the purchase of Common Shares will be made for the Participant during such Offering Period, and any additional cash dividends during the Offering Period will be distributed to the Participant.

9.2. Upon termination of a Participant's status as an Employee during the Offering Period for any reason the payroll deductions and cash dividends remaining credited to the Participant's Account will be returned (and any future cash dividends will be distributed) to the Participant or, in the case of the Participant's death, the estate of the Participant, and the Participant's option will be automatically terminated. A Participant's status as an Employee shall not be considered terminated in the case of a leave of absence agreed to in writing by the Company or a Subsidiary (including but not limited to, military and sick leave), provided that such leave is for a period of not more than six (6) months or reemployment upon expiration of such leave is guaranteed by contract or statute.

9.3. A Participant's withdrawal from an offering will not have any effect upon such Participant's eligibility to participant in a subsequent offering.

10. DIVIDENDS

10.1. Cash dividends paid on Common Shares held in a Participant's Account shall be distributed to Participants as soon as practicable. Dividends paid in Common Shares or stock splits of the Common Shares shall be credited to the Accounts of Participants. Dividends paid on Common Shares in property (other than cash or Common Shares) shall be distributed to Participants as soon as practicable.

10.2. No interest shall accrue on or be payable with respect to the payroll deductions or credited cash dividends or a Participant in the Plan.

11. ADMINISTRATION

The Plan shall be administered by the Committee, and the Committee may select a third party administrator to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all action in connection therewith or in relation thereto as it deems necessary or advisable. Any decision reduced to writing and signed by a majority of the members of the Committee shall be fully effective as if it had been made at a meeting duly held. The determination of the Committee on any matters relating to the Plan shall be final, binding and conclusive. The Company will pay all expenses incurred in the administration of the Plan. No member of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan, and all members of the Committee shall be fully indemnified by the Company with respect to any such action, determination or interpretation.

The Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions or other contributions by Participants, payment of interest, conversion of local currency, data privacy security, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements; however, if such varying provisions are not in accordance with the provisions of Section 423(b) of the Code, including but not limited to the requirement of Section 423(b)(5) of the Code that all options granted under the Plan shall have the same rights and privileges unless otherwise provided under the Code and the regulations promulgated thereunder, then the individuals affected by such varying provisions shall be deemed to be participating under a sub-plan and not in the Plan. The Committee may also adopt subplans applicable to particular Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code and shall be deemed to be outside the scope of Section 423 of the Code unless the terms of the sub-plan provide to the contrary. The rules of such subplans may take precedence over other provisions of this Plan, with the exception of Section 3, but unless otherwise superseded by the terms of such subplan, the provisions of this Plan shall govern the operation of such subplan. The Committee shall not be required to obtain the approval of shareholders prior to the adoption, amendment or termination of any subplan unless required by the laws of the foreign jurisdiction in which Eligible Employees participating in the subplan are located.

12. NO TRANSFERABILITY

Neither payroll deductions credited to a Participant's Account nor any rights with regard to the exercise of an option or to receive Common Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will or the laws of descent and distribution) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Committee may treat such act as an election to withdraw funds in accordance with Section 9.

13. USE OF FUNDS

All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

14. EFFECT OF CERTAIN CHANGES

14.1. In the event of any recapitalization, merger, consolidation, reorganization, stock dividend, stock split, reverse stock split, combination or exchange of shares, repurchase of shares, distribution of cash or property (other than a regular cash dividend) spin-off or similar transaction or other change in corporate structure affecting the Common Shares or the value thereof, the Committee shall determine the equitable adjustments to be made under the Plan, including without limitation adjustments to the number of Common Shares which have been authorized for issuance under the Plan but have not yet been granted under options, as well as the price per Common Share covered by each option under the Plan which has not yet been exercised.

14.2. In the event of the proposed liquidation or dissolution of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Board in its sole discretion, and all outstanding options shall automatically terminate and the amounts of all payroll deductions will be refunded without interest to the Participants.

14.3. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger or consolidation or similar combination of the Company with or into another entity, then in the sole discretion of the Board, either (1) each option shall be assumed or an equivalent option shall be substituted by the successor corporation or parent or subsidiary of such successor entity, (2) a date established by the Board on or before the date of consummation of such merger, consolidation, combination or sale shall be treated as a Exercise Date, and all outstanding options shall be exercised on such date, (3) all outstanding options shall terminate and the accumulated payroll deductions will be refunded without interest to the Participants, or (4) outstanding options shall continue unchanged.

15. TERMINATION OR AMENDMENT

The Board may at any time terminate, suspend or amend the Plan as it shall deem advisable. No such termination may adversely affect options previously granted without the consent of affected Participants. No amendment shall be effective unless approved by the shareholders of the Company if shareholder approval of such amendment is required to comply with applicable law, including the rules and regulations of the New York Stock Exchange (or such other principal securities market on which the Common Shares are traded).

16. NO EMPLOYMENT RIGHTS

Nothing in the Plan shall confer upon any Participant the right to continue in the employment of the Company or any Subsidiary or affect any right which the Company or any Subsidiary may have to terminate the employment of any Participant at any time for any reason.

17. REGULATIONS AND OTHER APPROVALS; GOVERNING LAW

17.1. This Plan and the right of all persons claiming an interest hereunder shall be construed and determined in accordance with the laws of the State of California without reference to principles of conflict of laws.

17.2. The obligation of the Company to sell or deliver Common Shares with respect to options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable Federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

18. WITHHOLDING OF TAXES

If the Participant makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Common Shares issued to such Participant pursuant to the Participant's exercise of an option, and such disposition occurs within the two-year period commencing on the day after the Offering Date or within the one-year period commencing on the day after the Exercise Date, such Participant shall, within five (5) days of such disposition, notify the Company thereof and thereafter immediately deliver to the Company

any amount of Federal, state or local income taxes and other amounts, if any, which the Company informs the Participant the Company is required to withhold.

19. MISCELLANEOUS

19.1. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

19.2. As used in the Plan, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation.”

19.3. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

20. EFFECTIVE DATE; APPROVAL OF STOCKHOLDERS

The Plan is effective as of April 26, 2007. The Plan shall be submitted to the shareholders of the Company for approval within twelve (12) months after the date the Plan is adopted by the Board. The Plan is conditioned upon the approval of the shareholders of the Company, and failure to receive their approval shall render the Plan and all outstanding options issued thereunder null and void and of no effect.

# EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), dated as of March 27, 2008 (the "Effective Date"), is made and entered into by and among Michael O. Johnson ("Executive"), HERBALIFE INTERNATIONAL OF AMERICA, INC., a Nevada corporation (the "Company") and, solely for purposes of Section 2(a) hereof, HERBALIFE LTD., an entity organized under the laws of the Cayman Islands ("Parent").

## RECITALS

A. The Company is engaged primarily in the distribution of weight management, nutritional and personal care products through a "multi-level" marketing system.

B. The Company desires to be assured of the services of Executive by employing Executive in the capacity and on the terms set forth below.

C. Executive desires to commit himself to serve the Company on the terms herein provided.

D. The Company and Executive desire that this Agreement be intended as the final expression of their agreement with respect to the subject matter hereof and that this Agreement supersedes and may not be contradicted by, modified or supplemented by any prior or contemporaneous agreement, written or oral, with respect thereto, including, without limitation, the employment agreement by and among the Executive, the Company and Herbalife International of America, Inc., a California corporation, dated as of April 3, 2003, as amended (the "Prior Employment Agreement"), which Prior Employment Agreement is hereby deemed terminated and of no further force and effect.

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

1. **Employment Period**. The Company shall employ Executive and Executive shall continue in the employ of the Company for the period commencing on the Effective Date and ending as provided in Section 4 hereof (the "Term"). Except for any covenants or agreements contained herein which by their terms are to be performed or observed following the termination of the Term, upon the termination of the Term, this Agreement and all of its provisions shall terminate and shall cease to have any force or effect.

2. **Duties**.

(a) During the Term, Executive shall serve as the Chief Executive Officer of the Company and Parent, with all of the authority, duties and responsibilities commensurate with such position and such other duties commensurate with his position as are assigned to Executive from time to time by the Board of Directors of the Company and/or the Board of Directors of Parent (referred to individually and collectively as the "Board"). During the Term, Executive shall report to the Board. With respect to all elections of directors to the Board of Directors of Parent during the Term in which Executive is to participate (i.e., elections for Class I directors, or such other elections to the extent Executive is moved to a different class of directors or the Board of Directors of Parent is declassified), the Board of Directors of Parent shall nominate, and use its best efforts to elect, Executive to serve as a member of the Board. Executive will work principally in the Los Angeles, California offices of the Company, but will also conduct such business travel as is reasonably required to fulfill his duties hereunder.

(b) During the Term, Executive shall devote substantially all his working time, attention, skill and efforts to the business and affairs of the Company, and shall not commence employment with or serve as a consultant to, any other company; provided, however, the foregoing shall not preclude Executive from devoting a reasonable amount of time to managing Executive's investments and personal affairs and to charitable and civic activities (including serving on the boards of directors of not-for-profit organizations) and, with the consent of the Board and so long as such activities do not materially interfere with Executive's performance of his duties hereunder, serving on the boards of directors of for-profit entities.

3. **Compensation and Related Matters**.

(a) Salary. During the Term, Executive shall receive a salary at the per annum rate of One million and two hundred thousand dollars ($1,200,000), payable semi-monthly or otherwise in accordance with the Company's payroll practices for senior executives. Executive's annual base salary shall be subject to review from time to time for possible increases by the Board of Directors of Parent. Executive's base salary may be increased (but not decreased) and, as increased from time to time, shall be referred to as the "Base Salary."

(b) Expenses. The Company shall reimburse Executive for all reasonable travel and other reasonable out-of-pocket business expenses (including all such expenses related to Executive's maintenance of his home office, including all such expenses related to the procurement and/or maintenance of a personal computer, internet connection, fax and telephone (including wireless) service) incurred by Executive in the performance of his duties under this Agreement upon evidence of payment and otherwise in accordance with the Company's policies and procedures in effect from time to time. In addition, the Company will pay all reasonable out-of-pocket attorneys' fees and financial representation costs incurred by Executive in connection with the evaluation and negotiation of this Agreement in an amount not to exceed $60,000. In no event shall any such reimbursements or other payments made pursuant to this Section 3(b) be paid later than the end of the calendar year following the year in which the expense was incurred.

(c) Employee Benefits. During the Term, Executive and, to the extent provided for under the terms of the plan or arrangement, Executive's qualified dependents (within the meaning of the plan or arrangement) shall be entitled to participate in or receive benefits under each benefit plan or arrangement made available by the Company to its senior executives including, without limitation, those relating to group medical, dental, vision, long-term disability, directors and officers insurance coverage, accidental death and dismemberment, and life insurance, on terms no less favorable in the aggregate than those applicable to any other senior executive of the Company, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and subject to the Company's right to modify, amend or terminate any such plan or arrangement. Executive shall be eligible to participate in the Company's 401K program and the Company's Deferred Compensation program.

(d) Life Insurance. During the Term, the Company will pay in each calendar year all premiums due in such calendar year for a ten-year fixed premium term life insurance policy on Executive's life in the amount of $10 million issued by an insurance carrier reasonably acceptable to Executive, so long as and to the extent that Executive is insurable. Executive shall have the right to designate both the owner and the beneficiary of such term life insurance policy. Executive agrees to undergo any and all reasonable physical examinations that are necessary for the issuance and/or renewal of said term life insurance policy. After the expiration of the Term, such policy shall be either owned by Executive, or if owned by the Company, portable to Executive, with Executive retaining the right to elect to continue coverage under such policy at his own cost.

(e) Annual Bonus. During the Term, in addition to the Base Salary, Executive will have the opportunity to earn an annual target bonus in such amounts, and based upon such targets, established annually by the Board of Directors of Parent. The annual target bonus amounts and the target determination procedures are set forth on Annex A attached hereto. Any bonus earned during the Term will be deemed to have been earned as of the last day of the relevant calendar year, but will be paid in the calendar year following the calendar year to which such bonus relates at such time bonuses are paid to the Company's other senior executives (but in no event later than two weeks following the date on which the final audited financial statements with respect to the relevant fiscal year are presented to the Board).

(f) Sign-On Bonus. Executive shall be entitled to receive an aggregate cash payment equal to $1,500,000, payable in a single lump-sum within thirty (30) days following the Effective Date (the "Sign-On Bonus"). In the event that Executive's employment with the Company terminates as a result of a termination by the Company for Cause (as defined in Section 4(c) hereof) or by Executive without Good Reason (as defined in Section 4(d) hereof) at any time within a period of twenty four (24) months following the Effective Date, Executive shall be required to repay to the Company an amount equal to Executive's after-tax remainder as to one-half (1/2) of the Sign-On Bonus. Such amount shall be repaid to the Company no later than thirty (30) days following such termination date.

(g) Vacation. Executive shall be entitled to five (5) weeks paid vacation during each year of the Term. Unused vacation in any year shall carry over to subsequent years without limitation, unless otherwise provided in a vacation pay policy that is generally applicable to the senior executives of the Company.

(h) Retiree Medical Benefits. In the event that Executive remains in the continued employment with the Company for at least four (4) years following the Effective Date (except as otherwise provided in Section 4 hereof), upon Executive's subsequent termination of employment with the Company for any reason other than a termination of employment by the Company for Cause, Executive and his spouse as of the Effective Date (so long as she remains married to Executive) shall be entitled to continued medical benefits under a Company-provided medical plan on the same basis as active employees of the Company until Executive and his spouse reach age 65; it being understood and agreed that in the event Executive predeceases his current spouse at a time when they are married, such spouse shall be entitled to receive medical benefits in accordance with this Section 3(h) until she reaches age 65. The Company shall gross-up for tax purposes the income, if any, arising from the Company providing Executive with the benefits under this Section 3(h) that is treated as nondeductible taxable income to Executive so that the economic benefit is the same to Executive as if such benefits were provided on a non-taxable basis to Executive. In the event that Executive commences employment outside of the Company prior to Executive reaching the age of 65, the benefits under this Section 3(h) shall be reduced or eliminated to the extent that Executive receives substantially similar medical benefits in connection with any subsequent employment while Executive has such subsequent employment. For the avoidance of doubt, it is understood and agreed that the insurance, if any, provided to Executive in connection with any subsequent employment shall be the primary insurance and the insurance, if any, provided by the Company shall be the secondary insurance during the term of such subsequent employment. Payments or reimbursements to Executive in connection with the benefits provided under this Section 3(h) shall be paid no later than the end of the calendar year following the year in which the expense was incurred.

(i) Long-Term Incentives.

(i) On the Effective Date, Executive shall receive the following equity awards in accordance with the terms and conditions of the Herbalife Ltd. 2005 Stock Incentive Plan:

(A) 759,790 stock appreciation rights (the "2008 SARs") with respect to the common shares of Parent (the "Common Shares") (A) with a per share base price equal to the fair market value of a Common Share on the date of grant, (B) with a seven (7) year term and (C) to become vested based on the achievement of specified levels of compound annual growth rate of the Common Shares, subject to Executive's continued employment with the Company for four years from the date of grant, except as otherwise provided in the applicable award agreement (substantially in the forms attached hereto as Annex B-1 and B-2) (the "SAR Award Agreements"); and

(B) a restricted stock unit award (the "2008 RSUs") with respect to 130,480 Common Shares to become vested at a rate of 30% per year on each of the first three anniversaries of the date of grant and 10% on the fourth anniversary of the date of grant, subject to Executive's continued employment with the Company through each applicable vesting date, except as otherwise provided in the applicable award agreement (substantially in the form attached hereto as Annex C) (the "RSU Award Agreement").

(ii) In addition to the 2008 SARs and the 2008 RSUs, Executive shall be eligible to participate in the Company's long-term incentive plan for its senior executives, if any. The size, form, and timing of grants, if any, shall be consistent with competitive practice, internal position responsibilities and performance, and shall be subject to the approval of the independent members of the Board of Directors of Parent, based on the recommendation of the Compensation Committee of the Board of Directors of Parent (the "Committee").

(j) Deductions and Withholdings. All amounts payable or which become payable hereunder shall be subject to all deductions and withholdings required by law.

4. **Termination**. Executive's services for the Company and the Term of this Agreement may be terminated under the following circumstances:

(a) Death. Executive's services hereunder shall terminate upon his death. In the case of Executive's death, the Company shall pay or provide the following benefits to Executive's beneficiaries or estate, as appropriate: (i) his then current accrued and unpaid Base Salary through his date of death as well as 100% of any accrued and unpaid bonus for any years preceding the year of termination, payable as set forth in Section 4(h), (ii) a pro rata bonus payment for the year of termination based on actual results, payable in the year following such termination at such time bonuses are paid to the Company's other senior executives (based on actual results and the number of months worked in the applicable fiscal year of the Company), (iii) the 2008 SARs shall become vested and exercisable subject to and in accordance with the SAR Award Agreements, (iv) the 2008 RSUs described in Section 3(i)(B) hereof shall become vested in accordance with the RSU Award Agreement, (v) the retiree medical benefits described in Section 3(h) hereof without regard to whether Executive has been employed by the Company for at least four years following the Effective Date, and (vi) other benefits and payments to which Executive is then entitled hereunder in accordance with the terms hereof or pursuant to Section 4(k) in accordance with the terms of such plan or arrangement.

(b) Disability. If a Disability (as defined below) of Executive occurs during the Term, the Board may give Executive written notice of its intention to terminate his employment while Executive continues to be subject to such Disability. In such event, Executive's services with the Company shall terminate as of the date specified in such notice. In the case of a termination as a result of a Disability, the Company shall pay or provide Executive with the following: (i) his then current accrued and unpaid Base Salary through his date of termination as well as 100% of any accrued and unpaid bonus for any years preceding the year of termination, payable as set forth in Section 4(h), (ii) a pro rata bonus payment for the year of termination based on actual results, payable in the year following such termination at such time bonuses are paid to the Company's other senior executives (based on actual results and the number of months worked in the applicable fiscal year of the Company), (iii) the 2008 SARs shall become vested and exercisable subject to and in accordance with the SAR Award Agreements, (iv) the 2008 RSUs described in Section 3(i)(B) hereof shall become vested in accordance with the RSU Award Agreement, (v) the retiree medical benefits described in Section 3(h) hereof without regard to whether Executive has been employed by the Company for at least four years following the Effective Date, and (vi) other benefits and payments to which Executive is then entitled hereunder in accordance with the terms hereof or pursuant to Section 4(k) in accordance with the terms of such plan or arrangement. For the purpose of this Section 4(b), "Disability" shall mean Executive's inability to perform his duties for the Company on a full-time basis for 180 days (whether or not consecutive) in any twelve (12) month period. During any period of time in which Executive is prevented from performing his duties for the Company as a result of any physical or mental incapacitation, but prior to termination of the Term on account of Executive's Disability, Executive shall receive his full compensation hereunder as if actively at work. Notwithstanding the foregoing, in the event that as a result of absence because of mental or physical incapacity Executive incurs a "separation from service" within the meaning of such term under "Code Section 409A" (as defined in Section 20(a) hereof), Executive shall on such date automatically be terminated from employment as a Disability termination.

(c) Termination by the Company for Cause. The Board may terminate Executive's services hereunder for Cause (as defined below) at any time upon written notice to Executive. In such event, Executive's services shall terminate as of the date specified in such notice. In the case of Executive's termination for Cause, the Company shall pay to Executive: (i) his then current accrued and unpaid Base Salary through his date of termination as well as 100% of any accrued and unpaid bonus for any years preceding the year of termination (it being understood and agreed that Executive shall have no rights to receive a bonus in respect of the year in which termination for Cause occurs), payable as set forth in Section 4(h), and (ii) other benefits and payments to which Executive is then entitled hereunder in accordance with the terms hereof or pursuant to Section 4(k) in accordance with the terms of such plan or arrangement. For purposes of this Agreement, the Board shall have "Cause" to terminate Executive's services hereunder in the event of any of the following acts or circumstances: (A) Executive's conviction of a felony or entering a plea of guilty or nolo contendere to any crime constituting a felony (other than a traffic violation or by reason of vicarious liability); (B) Executive's substantial and repeated failure to attempt to perform Executive's lawful duties as contemplated in Section 2 of this Agreement, except during periods of physical or mental incapacity; (C) Executive's gross negligence or willful misconduct with respect to any material aspect of the business of the Company or any of its affiliates, which negligence or misconduct has a material and demonstrable adverse effect on the Company; or (D) any material breach of this Agreement or any material breach of any other written agreement between Executive and the Company's affiliates governing Executive's equity compensation arrangements (i.e., any agreement with respect to Executive's stock and/or stock options of any of the Company's affiliates); provided, however, that Executive shall not be deemed to have been terminated for Cause in the case of clause (B), (C), or (D) above, unless any such breach (if correctable) is not fully corrected prior to the expiration of the thirty (30) calendar day period following delivery to Executive of the Company's written notice of its intention to terminate his employment for Cause describing the basis therefor in reasonable detail.

(d) Termination by Executive for Good Reason. Executive may terminate his services hereunder for Good Reason (as defined below); provided that Executive first gives the Company a written notice of his intent to terminate for Good Reason at least thirty (30) calendar days prior to the effective date of any such termination, and, if Executive has Good Reason to terminate his services hereunder, Executive's services shall terminate upon such 30th calendar date. In the event Executive terminates his employment for Good Reason, the Company shall pay or provide Executive with the following: (i) his then current accrued and unpaid Base Salary through his date of termination as well as 100% of any accrued and unpaid bonus for any years preceding the year of termination, payable as set forth in Section 4(h), (ii) an additional, lump-sum cash amount equal to two times the sum of Executive's Base Salary and Executive's "Bonus Level" (it being agreed that Executive's Bonus Level shall be deemed to be equal to two years' of Base Salary), payable on the sixtieth ($60^{th}$) day following termination, subject to the provisions of Section 20(b) hereof; provided, that payment in a lump-sum cash amount shall be effective January 1, 2009, and upon any termination theretofore the amounts shall be paid as provided in Executive's previous employment agreement with the Company, subject to the provisions of Section 20(b) hereof, (iii) a pro rata bonus payment for the year of termination based on actual results, payable in the year following such termination at such time bonuses are paid to the Company's other senior executives (based on the number of months worked in the applicable fiscal year of the Company), (iv) the 2008 SARs shall become vested and exercisable subject to and in accordance with the SAR Award Agreements, (v) the 2008 RSUs described in Section 3(i)(B) hereof shall become vested in accordance with the RSU Award Agreement, (vi) subject to Section 20(b) hereof, if on the date of such termination Executive is subject to a "trading blackout" or "quiet period" with respect to the Common Shares or if the Company determines, upon the advice of legal counsel, that on the effective date of such termination Executive may not trade in the Common Shares due to Executive's possession of material non-public information, in each case, which restriction or prohibition continues for a period of at least twenty consecutive calendar days, Executive will be paid an additional lump sum amount equal to $250,000 at the same time and on the same basis as the amount in clause (ii) above is paid, (vii) outplacement services for up to six (6) months by a provider selected and paid for by the Company in an amount not to exceed $20,000 (the "Outplacement Services"), (viii) the retiree medical benefits described in Section 3(h) hereof without regard to whether Executive has been employed by the Company for at least four years following the Effective Date, and (ix) other benefits and payments to which Executive is then entitled hereunder in accordance with the terms hereof or pursuant to Section 4(k) in accordance with the terms of such plan or arrangement. For purposes hereof, the term "Good Reason" shall mean, without the Executive's consent, the occurrence of any of the following circumstances unless such circumstances are fully corrected prior to the expiration of the thirty (30) calendar day period following delivery to the Company of Executive's notice of intention to terminate his employment for Good Reason describing such circumstances in reasonable detail: (A) an adverse change in Executive's title as CEO of the Company or Parent, Executive's involuntary removal from the Board of Directors of Parent, or the failure of Executive to be nominated for the Board of Directors of Parent as provided in Section 2(a) or elected to the Board of Directors of Parent at any time he is nominated for election; (B) a substantial diminution in Executive's duties, responsibilities or authority for the Company, taken as a whole (except during periods when Executive is unable to perform all or substantially all of Executive's duties or responsibilities as a result of Executive's illness (either physical or mental) or other incapacity); (C) a change in location of the Company's chief executive office to a location more than 50 miles from its current location; (D) any other material breach of this Agreement by the Company; or (E) the failure by any successor of the Company to assume in writing the Company's obligations under this Agreement. Executive shall be deemed to have waived his rights to terminate his services hereunder for circumstances constituting Good Reason if he shall not have provided to the Company a notice of termination within sixty (60) calendar days immediately following his knowledge of the circumstances constituting Good Reason.

(e) Termination by Executive Without Good Reason. Executive may terminate his employment hereunder without Good Reason; provided that Executive first gives the Company a written notice of termination at least fifteen (15) calendar days prior to the effective date of any such termination. In the event Executive terminates his employment without Good Reason, the Company shall pay to Executive: (i) his then current accrued and unpaid Base Salary through his date of termination as
well as 100% of any accrued and unpaid bonus for any years preceding the year of termination, payable as set forth in Section 4(h) (it being expressly agreed that Executive shall have no rights to receive a bonus in respect of the year in which termination occurs), and (ii) other benefits and payments to which Executive is then entitled hereunder in accordance with the terms hereof or pursuant to Section 4(k) in accordance with the terms of such plan or arrangement.

(f) Termination by the Company Without Cause. The Board may terminate Executive's services hereunder without Cause at any time upon written notice to Executive. In such event, Executive's services shall terminate as of the date specified in such notice. In the event Executive's services hereunder are terminated by the Company without Cause, the Company shall pay or provide Executive with the same benefits to which Executive would have been entitled had his employment terminated in accordance with Section 4(d) hereof.

(g) 280G Gross-Up. In the event that any amount or benefit that may be paid or otherwise provided to or in respect of Executive by the Company or any affiliated company, whether pursuant to this Agreement or otherwise, is or may become subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (or any successor provision), the provisions of Annex D shall be applicable.

(h) Timing; No Duty to Mitigate. Except as otherwise provided in this Section 4, any amounts payable to Executive upon his termination of employment under this Section 4 shall be paid at such times as such amounts would have otherwise been payable to Executive had Executive's employment not been terminated. Executive shall have no duty to seek to mitigate the above severance benefits set forth in this Section 4, and any compensation derived by Executive from alternative employment or otherwise shall not reduce the Company's obligations hereunder.

(i) Resignation of Offices. Promptly following any termination of Executive's employment with the Company (other than by reason of Executive's death), Executive shall promptly deliver to the Company reasonably satisfactory written evidence of Executive's resignation as a member of the Board of Directors of Parent and any other boards of directors of the Company or any of its affiliates, any committee thereof and/or any office (e.g., office of Chief Executive Officer) with the Company or any of its affiliates. The Company shall be entitled to withhold payment of any amounts otherwise due pursuant to this Section 4 until Executive has complied with the provisions of this Section 4(i).

(j) Release. As a precondition to the Company's obligations to make any of the payments specified in Sections 4(d) and 4(f) of this Agreement, Executive or his guardian, estate or heirs, as appropriate, shall execute and deliver to the Company a fully effective (i.e., there shall be no further unsatisfied conditions to the effectiveness thereof and any applicable revocation period shall have thereafter timely expired) general release in the form attached hereto as Annex E within forty-five (45) days following termination.

(k) Employee Benefit Plan Rights. Following any termination of Executive's employment with the Company, any rights that may exist in Executive's favor to payment of any amount under any employee benefit plan or arrangement of the Company other than those set forth in this Agreement shall be made in accordance with the terms and conditions of any such employee benefit plan or arrangement.

5. **Confidential and Proprietary Information**.

(a) The parties agree and acknowledge that during the course of Executive's employment, Executive will be given and will have access to and be exposed to trade secrets and confidential information in written, oral, electronic and other forms regarding the Company and its affiliates (which includes but is not limited to all of its business units, divisions and affiliates) and their business, equipment, products and employees, including, without limitation: the identities of the Company's and its affiliates' distributors and customers and potential distributors and customers (hereinafter referred to collectively as "Distributors"), including, without limitation, the identity of Distributors that Executive cultivates or maintains while providing services at the Company or any of its affiliates using the Company's or any of its affiliates' products, name and infrastructure, and the identities of contact persons with respect to those Distributors; the particular preferences, likes, dislikes and needs of those Distributors and contact persons with respect to product types, pricing, sales calls, timing, sales terms, rental terms, lease terms, service plans, and other marketing terms and techniques; the Company's and its affiliates' business methods, practices, strategies, forecasts, pricing, and marketing techniques; the identities of the Company's and its affiliates' licensors, vendors and other suppliers and the identities of the Company's and its affiliates' contact persons at such licensors, vendors and other suppliers; the identities of the Company's and its affiliates' key sales representatives and personnel and other employees; advertising and sales materials; research, computer software and related materials; and other facts and financial and other business information concerning or relating to the Company or any of its affiliates and their business, operations, financial condition, results of operations and prospects. Executive expressly agrees to use such trade secrets and confidential information only for purposes of carrying out his duties for the Company and its affiliates as he deems appropriate in his good faith judgment, and not for any other purpose, including, without limitation, not in any way or for any purpose that could reasonably be foreseen to be detrimental to the Company or any of its affiliates; provided, Executive shall be permitted to disclose such trade secrets and confidential information to third parties in the course of performing his duties for the Company and its affiliates as he deems appropriate in his good faith judgment provided that prior to such disclosure Executive causes the intended recipient of such information to sign a confidentiality agreement. Executive shall not at any time, either during the course of his employment hereunder or after the termination of such employment, use for himself or others, directly or indirectly, any such trade secrets or confidential information, and, except as required by law or as permitted hereunder, Executive shall not disclose such trade secrets or confidential
information, directly or indirectly, to any other person or entity. Trade secret and confidential information hereunder shall notinclude any information which (i) is already in or subsequently enters the public domain, other than as a result of any unauthorized direct or indirect disclosure by Executive, (ii) becomes available to Executive on a non-confidential basis from a source other than the Company or any of its affiliates, provided that Executive has no knowledge that such source is subject to a confidentiality agreement or other obligation of secrecy or confidentiality (whether pursuant to a contract, legal or fiduciary obligation or duty or otherwise) to the Company or any of its affiliates or any other person or entity or (iii) is approved for release by the board of directors of the Company or any of its affiliates or the board of directors of the Company or any of its affiliates makes available or authorizes Executive to make available to third parties without an obligation of confidentiality.

(b) All physical property and all notes, memoranda, files, records, writings, documents and other materials of any and every nature, written or electronic, which Executive shall prepare or receive in the course of his employment with the Company and which relate to or are useful in any manner to the business now or hereafter conducted by the Company or any of its affiliates are and shall remain the sole and exclusive property of the Company and its affiliates, as applicable. Executive shall not remove from the Company's premises any such physical property, the original or any reproduction of any such materials nor the information contained therein except for the purposes of carrying out his duties to the Company or any of its affiliates and all such property (except for any items of personal property not owned by the Company or any of its affiliates), materials and information in his possession or under his custody or control upon the termination of his employment (other than such materials received by Executive solely in his capacity as a shareholder) or at any other time upon request by the Company shall be immediately turned over to the Company and its affiliates, as applicable.

(c) All inventions, improvements, trade secrets, reports, manuals, computer programs, tapes and other ideas and materials developed or invented by Executive during the period of his employment, either solely or in collaboration with others, which relate to the actual or anticipated business or research of the Company or any of its affiliates which result from or are suggested by any work Executive may do for the Company or any of its affiliates or which result from use of the Company's or any of its affiliates' premises or property (collectively, the "Developments") shall be the sole and exclusive property of the Company and its affiliates, as applicable. Executive assigns and transfers to the Company his entire right and interest in any such Development, and Executive shall execute and deliver any and all documents and shall do and perform any and all other acts and things necessary or desirable in connection therewith that the Company or any of its affiliates may reasonably request, it being agreed that the preparation of any such documents shall be at the Company's expense. Nothing in this paragraph applies to an invention which is exempt under the provisions of California Labor Code Section 2870.

(d) Following the termination of Executive's employment, Executive will reasonably cooperate with the Company (at the Company's expense, if Executive reasonably incurs any out-of-pocket costs with respect thereto, including, but not limited to, lost salary or the value of vacation benefits used in connection therewith) in any defense of any legal, administrative or other action in which the Company or any of its affiliates or any of their distributors or other business relations are a party or are otherwise involved, so long as any such matter was related to Executive's duties and activities conducted on behalf of the Company or its Subsidiaries.

(e) Following the termination of Executive's employment, the Company shall be allowed to exploit or otherwise use Executive's name, image, photograph, likeness or voice in a positive manner for any legitimate business-related purposes, as determined in the Company's good-faith discretion, but only with Executive's prior written consent (such consent not to be unreasonably withheld, delayed or conditioned); provided, however, that Executive's prior written consent shall not be required in connection with the Company's, Parent's or any of their respective affiliates' use of Executive's name, image, photograph, likeness or voice as required by applicable law, including, without limitation, in connection with any required filings with the Securities and Exchange Commission, the New York Stock Exchange and the secretary of state (or equivalent governing body) of any jurisdiction of incorporation or organization or where Parent, the Company or any of their respective affiliates is qualified to do business.

(f) The provisions of this Section 5 and Section 6 shall survive any termination of this Agreement and termination of Executive's employment with the Company.

6. **Non-Solicitation**.

(a) Executive acknowledges that in the course of his employment for the Company he will become familiar with the Company's and its affiliates' trade secrets and other confidential information concerning the Company and its affiliates. Accordingly, Executive agrees that, during Executive's employment and for a period of twenty-four (24) months immediately thereafter (the "Nonsolicitation Period"), he will not directly or indirectly through another entity (i) induce or attempt to induce any employee or Distributor of the Company or any of its affiliates to leave the employment of, or cease to maintain its distributor relationship with, the Company or such affiliate, or in any way interfere with the relationship between the Company or any such affiliate and any employee or Distributor thereof, (ii) hire any person who was an employee of the Company or any of its affiliates at any time during the Nonsolicitation Period unless such person's employment was terminated by the Company or such affiliate or enter into a distributor relationship with any person or entity who was a Distributor of the Company or any of its affiliates at any time during the Nonsolicitation Period, (iii) induce or attempt to induce any Distributor, supplier, licensor, licensee or other business relation of the Company or
any of its affiliates to cease doing business with the Company or such affiliate, or in any way interfere with the relationship betweensuch Distributor, supplier, licensor, licensee or business relation and the Company or any of its affiliates or (iv) use any trade secrets or other confidential information of the Company or any of its affiliates to directly or indirectly participate in any means or manner in any Competitive Business, wherever located. "Competitive Business" means the development, marketing, distribution or sale of weight management products, nutritional supplements or personal care products through multi-level marketing or other direct selling channels. "Participate" includes any direct or indirect interest in any enterprise, whether as an officer, director, employee, partner, sole proprietor, agent, representative, independent contractor, executive, franchisor, franchisee, creditor, owner, distributor or otherwise; provided that the foregoing activities shall not include the passive ownership (i.e., Executive does not directly or indirectly participate in the business or management of the applicable entity) of less than 5% of the stock of a publicly-held corporation whose stock is traded on a national securities exchange and which is not primarily engaged in a Competitive Business.

(b) Except as otherwise provided in Section 2(b), as long as Executive is employed by the Company, Executive agrees that he will not, except with the express written consent of the Board, become engaged in, render services for, or permit his name to be used in connection with any business other than the business of the Company and its affiliates.

(c) Executive has agreed to be bound by the covenants contained in this Section 6 for the purpose of preserving for the Company's and its affiliates' benefit the goodwill, confidential and proprietary information and going concern value of the Company and its affiliates and their respective business opportunities.

7. **Injunctive Relief**. Executive and the Company (a) intend that the provisions of Sections 5 and 6 be and become valid and enforceable, (b) acknowledge and agree that the provisions of Sections 5 and 6 are reasonable and necessary to protect the legitimate interests of the business of the Company and its affiliates and (c) agree that any violation of Section 5 or 6 will result in irreparable injury to the Company and its affiliates, the exact amount of which will be difficult to ascertain and the remedies at law for which will not be reasonable or adequate compensation to the Company and its affiliates for such a violation. Accordingly, Executive agrees that if Executive violates or threatens to violate the provisions of Section 5 or 6, in addition to any other remedy which may be available at law or in equity, the Company shall be entitled to specific performance and injunctive relief, without posting bond or other security, and without the necessity of proving actual damages. In addition, in the event of a violation or threatened violation by Executive of Section 5 or 6 of this Agreement, the Nonsolicitation Period will be tolled until such violation or threatened violation has been duly cured. If, at the time of enforcement of Sections 5 or 6 of this Agreement, a court holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area.

8. **Assignment; Successors and Assigns**. Executive agrees that he shall not assign, sell, transfer, delegate or otherwise dispose of, whether voluntarily or involuntarily, any rights or obligations under this Agreement, nor shall Executive's rights hereunder be subject to encumbrance of the claims of creditors. This Agreement may be assigned by the Company without the consent of Executive to (a) any entity succeeding to all or substantially all of the assets or business of the Company, whether by merger, consolidation, acquisition or otherwise (upon which entity the Agreement shall be binding), or (b) any affiliate; provided, however, that in neither case shall the Company be released from its obligations hereunder, nor shall any assignment to an affiliate lessen the Executive's rights with respect to his position, duties, responsibilities or authority with respect to the Company. In the case of an assignment other than by operation of law, the Company shall promptly deliver to Executive a written assumption of the Agreement and the obligations hereunder by such entity. Any purported assignment, transfer, delegation, disposition or encumbrance in violation of this Section 8 shall be null and void and of no force or effect. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors, and permitted assigns, and, except as expressly provided herein, no other person or entity shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise. Notwithstanding the foregoing, in the event of Executive's death, his beneficiaries or estate, as appropriate, shall be entitled to all amounts Executive would have otherwise received hereunder. In the event the Company transfers all or any substantial portion (i.e., more than 50% of the fair market value thereof, as determined by the Board in good faith) of its assets to any of its affiliates, the Company shall cause such affiliate to sign a counterpart copy of this Agreement as a primary obligor hereunder, it being agreed that no such assignment shall release the Company from any of its obligations hereunder.

9. **Governing Law; Jurisdiction and Venue**. This Agreement shall be governed, construed, interpreted and enforced in accordance with the substantive laws of the State of California without regard to the conflicts of law principles thereof. Suit to enforce this Agreement or any provision or portion thereof may be brought in the federal or state courts located in Los Angeles, California.

10. **Severability of Provisions**. In the event that any provision or any portion thereof should ever be adjudicated by a court of competent jurisdiction to exceed the time or other limitations permitted by applicable law, as determined by such court in such action, then such provisions shall be deemed reformed to the maximum time or other limitations permitted by applicable law, the parties hereby acknowledging their desire that in such event such action be taken. In addition to the above, the provisions of this Agreement are severable, and the invalidity or unenforceability of any provision or provisions of this Agreement or portions thereof shall not affect the validity or enforceability of any other provision, or portion of this Agreement, which shall remain in full force and effect as if executed with the unenforceable or invalid provision or portion thereof eliminated. Notwithstanding the foregoing, the parties hereto affirmatively represent, acknowledge and agree that it is their intention that this Agreement and each of its provisions are enforceable in accordance with their terms and expressly agree not to challenge the validity or enforceability of this Agreement or any of its provisions, or portions or aspects thereof, in the future. The parties hereto are expressly relying upon this representation, acknowledgement and agreement in determining to enter into this Agreement.

11. **Warranty**. As an inducement to the Company to enter into this Agreement, Executive represents and warrants that he is not a party to any other agreement or obligation for personal services, and that there exists no impediment or restraint, contractual or otherwise, on his power, right or ability to enter into this Agreement and to perform his duties and obligations hereunder. As an inducement to Executive to enter into this Agreement, the Company represents and warrants that the person signing this Agreement for the Company has been duly authorized to do so by all necessary corporate action and has the corporate power and authority to execute this Agreement on the Company's behalf. The execution and delivery of this Agreement and the consummation of the transactions contemplated have been duly and effectively authorized by all necessary corporate action of the Company.

12. **Notices**. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method upon receipt of telephonic or electronic confirmation; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice will be sent to:

(a) If to the Company:

Herbalife International of America, Inc.
1800 Century Park East
Los Angeles, California 90067
Attention: Members of the Compensation Committee of the Board of Directors of Herbalife Ltd.
Telecopy: (310) 557-3906

(b) with a copy to:

Herbalife International of America, Inc.
1800 Century Park East
Los Angeles, California 90067
Attention: General Counsel
Telecopy: (310) 557-3906

(c) if to Executive, to:

his home address on record with the Company

(d) with a copy to:

Proskauer Rose LLP
1585 Broadway
New York, NY 10036
Telecopy: (212) 969-2900
Attention: Michael S. Sirkin, Esq.

or to such other place and with other copies as either party may designate as to itself or himself by written notice to the others.

13. **Cumulative Remedies**. All rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

14. **Counterparts**. This Agreement may be executed in several counterparts, each of which will be deemed to be an original, but all of which together shall constitute one and the same Agreement.

15. **Entire Agreement**. The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the subject matter hereof and this Agreement supersedes (and may not be contradicted by, modified or supplemented by) any prior or contemporaneous agreement, written or oral, with respect thereto (including, without limitation, the Prior Employment Agreement, which is hereby deemed terminated and of no further force and effect). The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative or other legal proceeding to vary the terms of this Agreement.

16. **Amendments; Waivers**. This Agreement may not be modified, amended, or terminated except by an instrument in writing, approved by the Board and signed by Executive and a member of the Board other than Executive. As an exception to the foregoing, the parties acknowledge and agree that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant or obligation of Executive set forth in Sections 5 or 6 of this Agreement or any portion thereof, effective immediately upon receipt by Executive of written notice thereof from the Company. No waiver of any of the provisions of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be construed as a further, continuing or subsequent waiver of any such provision or as a waiver of any other provision of this Agreement. No failure to exercise and no delay in exercising any right, remedy or power hereunder shall preclude any other or further exercise of any other right, remedy or power provided herein or by law or in equity.

17. **Representation of Counsel; Mutual Negotiation**. Each party has had the opportunity to be represented by counsel of its choice in negotiating this Agreement. This Agreement shall therefore be deemed to have been negotiated and prepared at the joint request, direction and construction of the parties, at arm's-length, with the advice and participation of counsel, and shall be interpreted in accordance with its terms without favor to any party.

18. **Indemnification**. The Company hereby covenants and agrees to indemnify Executive and hold him harmless to the fullest extent permitted by applicable laws and under the By-laws of the Company against and in respect to any and all actions, suits, proceedings, claims, demands, judgments, losses, damages and reasonable out-of-pocket costs and expenses (including reasonable out-of-pocket attorney's fees and expenses) resulting from Executive's good faith performance of his duties and obligations with the Company or any of its affiliates or as the fiduciary of any benefit plan of the Company or its affiliates. To the extent permitted by applicable laws, the Company, within 30 days of presentation of invoices, shall reimburse Executive for all reasonable out-of-pocket legal fees and disbursements reasonably incurred by Executive in connection with any such indemnifiable matter; provided, however, that Executive shall consult with the Company prior to selecting his counsel and shall obtain the Company's approval, which approval shall not be unreasonably withheld, of such counsel. In addition, the Company shall cover Executive under its directors and officers liability insurance policy both during the term of this Agreement and during the six-year period thereafter in the same amount and to the same extent, if any, as the Company covers its other officers and directors during any such period of time.

19. **Arbitration**. Except in any instance where equitable relief is specifically authorized hereunder, any dispute arising under or in connection with this Agreement shall be resolved by binding arbitration conducted before one (1) arbitrator sitting in Los Angeles, California or such other location agreed by the parties hereto, in accordance with the rules and regulations of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. At the discretion of the arbitrator, the prevailing party in such arbitration may be ordered to pay the reasonable out-of-pocket costs and legal fees and disbursements incurred by the non-prevailing party in such arbitration and preparation therefor, provided that such costs do not exceed $100,000. Any such payment shall be made within sixty (60) days of the award date.

20. **Code Section 409A Compliance**.

(a) The intent of the parties is that payments and benefits under this Agreement comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If Executive notifies the Company (with specificity as to the reason therefor) that Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause Executive to incur any additional tax or interest under Code Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with Executive, reform such provision to attempt to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit/burden to Executive and the Company of the applicable provision without violating the provisions of Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section or that is otherwise considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 20(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum with interest at the prime rate as published in The Wall Street Journal on the first business day of the Delay Period, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(c) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided that the foregoing clause (ii) shall not be violated without regard to expenses reimbursed under any arrangement covered by Internal Revenue Code Section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect and (iii) such payments shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense occurred.

(d) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(e) The Company shall indemnify Executive, as provided in this subsection (e), if a violation of Code Section 409A occurs as a result of (1) the Company's clerical error, (2) the Company's failure to administer this Agreement or any benefit plan or program in accordance with its written terms, or (3) a provision of any benefit plan or program of the Company (other than this Agreement, the SAR Award Agreements or the RSU Award Agreement) that fails to comply with Code Section 409A, and Executive incurs additional tax under Code Section 409A as a result thereof (each an "Indemnified Code Section 409A Violation"). In the event of an Indemnified Code Section 409A Violation, the Company shall reimburse Executive for (i) the 20% additional income tax described in Code Section 409A(a)(1)(B)(i)(II) (to the extent that Executive incurs the 20% additional income tax as a result of the Indemnified Code Section 409A Violation), and (ii) any interest or penalty that is assessed with respect to Executive's failure to make a timely payment of the 20% additional income tax described in clause (i), provided that Executive pays the 20% additional income tax promptly upon being notified that the tax is due (the amounts described in clause (i) and clause (ii) are referred to collectively as the "Code Section 409A Tax"). In addition, in the event of an Indemnified Code Section 409A Violation, the Company shall make a payment (the "Code Section 409A Gross-Up Payment") to Executive such that the net amount Executive retains, after paying any federal, state, or local income tax or FICA tax on the Code Section 409A Gross-Up Payment, shall be equal to the Code Section 409A Tax. The Company and Executive shall calculate, adjust (if necessary), and pay or repay the Code Section 409A Gross-Up Payment in accordance with the procedures specified Annex D (but substituting "Code Section 409A Tax" for "Excise Tax" wherever the latter term appears in Annex D).

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

EXECUTIVE

By: /s/ Michael O. Johnson
Michael O. Johnson

HERBALIFE INTERNATIONAL OF AMERICA, INC.

By: /s/ Brett R. Chapman
Name: Brett R. Chapman
Title: General Counsel

Solely with respect to Section 2(a) hereof:

HERBALIFE LTD.

By: /s/ Brett R. Chapman
Name: Brett R. Chapman
Title: General Counsel

**BONUS TARGETS AND TARGET BONUS AMOUNTS**

For the year ended December 31, 2008 and each subsequent year during the Term, Executive shall be entitled to a bonus, if earned, in an amount equal to the sum of (y) the earnings per share ("EPS") bonus, if any, and (z) the Alternative Performance Target ("APT") bonus, if any. Executive shall be entitled to earn an EPS bonus based upon the level of achievement by Herbalife Ltd. of earnings per share, and an APT bonus based upon the level of achievement of the APT Target (as hereinafter defined), each as determined based on the audited financial statements of Herbalife Ltd. and its consolidated subsidiaries for the relevant fiscal year, in the percentages set forth on the following table. For the purposes of the APT bonus, "APT Target" shall mean one or more metrics set annually by the Compensation Committee of the Board of Directors of Herbalife Ltd. (the "Committee") after consultation with Executive. The Committee shall deliver written notice to Executive of the APT Target on or before the date that is 14 days following the first regularly scheduled meeting of the Board of Directors of Herbalife Ltd. during the relevant fiscal year, but in no event later than 90 days after the commencement of the relevant fiscal year. For 2008, the EPS bonus and APT bonus shall be determined as follows:

| | Base Bonus | | APT Bonus | | | | Total Potential |
|---|---|---|---|---|---|---|---|
| | Funding Level EPS | Payout Factor | Funding Level EPS | Payout Factor | 08 Net Sales Growth Rate | Payout Factor | Bonus Payout |
| Base EPS Target | | | | | | | |
| 100% | $ 3.17 | 113% | $ 3.17 | 19% | 8.0% | 19% | **150%** |
| 103% | $ 3.27 | 169% | $ 3.27 | 29% | 8.2% | 29% | **227%** |
| 103% | $ 3.28 | 174% | $ 3.28 | 30% | 8.4% | 30% | **234%** |
| 104% | $ 3.29 | 180% | $ 3.29 | 31% | 8.5% | 31% | **242%** |
| 104% | $ 3.30 | 186% | $ 3.30 | 32% | 8.7% | 32% | **249%** |
| 104% | $ 3.31 | 191% | $ 3.31 | 33% | 8.9% | 33% | **257%** |
| 105% | $ 3.32 | 197% | $ 3.32 | 34% | 9.1% | 34% | **264%** |
| 105% | $ 3.33 | 203% | $ 3.33 | 35% | 9.3% | 35% | **272%** |
| 105% | $ 3.34 | 208% | $ 3.34 | 36% | 9.5% | 36% | **279%** |
| 106% | $ 3.35 | 214% | $ 3.35 | 37% | 9.6% | 37% | **287%** |
| 106% | $ 3.36 | 219% | $ 3.36 | 38% | 9.8% | 38% | **294%** |
| 106% | $ 3.37 | 225% | $ 3.37 | 38% | 10.0% | 38% | **300%** |

Notwithstanding any provision in this Agreement to the contrary (y) in no event shall the bonus earned by Executive for any calendar year be greater than 300% of Executive's Base Salary, and (z) seventy-five percent (75%) of Executive's overall annual bonus potential shall be attributable to the EPS bonus, and twenty-five percent (25%) of Executive's overall bonus potential shall be attributable to the APT bonus.

**FORM OF 2008 SARs**

**HERBALIFE LTD.**
**2005 STOCK INCENTIVE PLAN**

**STOCK APPRECIATION RIGHT AWARD AGREEMENT**

STOCK APPRECIATION RIGHT AGREEMENT (this "Agreement") dated as of March 27, 2008 (the "Grant Date") between HERBALIFE LTD., an entity organized under the laws of the Cayman Islands (the "Company"), and Michael O. Johnson ("Participant").

WHEREAS, pursuant to the Herbalife Ltd. 2005 Stock Incentive Plan (the "Plan"), the Committee designated under the Plan (or an officer of the Company to who the authority to grant Awards has been delegated), desires to grant to Participant an award of stock appreciation rights; and

WHEREAS, Participant desires to accept such award subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and Participant, intending to be legally bound, hereby agree as follows:

1. Grant.

(a) The Company hereby grants to the Participant an Award of 363,670 Stock Appreciation Rights (the "Award") in accordance with Section 8 of the Plan and subject to the terms and conditions set forth herein and in the Plan (each as amended from time to time). Each Stock Appreciation Right represents the right to receive, upon exercise of the Stock Appreciation Right pursuant to this Agreement, from the Company, a payment, paid in Common Shares, par value $.002 per share, of the Company (the "Common Shares"), equal to (i) the excess of the Fair Market Value, on the date of exercise, of one Common Share (as adjusted from time to time pursuant to Section 12 of the Plan) over the Base Price (as defined below) of the Stock Appreciation Right, divided by (ii) the Fair Market Value, on the date of exercise, of one Common Share, subject to terms and conditions set forth herein and in the Plan (each as amended from time to time).

(b) The "Base Price" for the Stock Appreciation Right shall be $48.64 per share (subject to adjustment as set forth in Section 12 of the Plan).

(c) Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Plan.

2. Time for Exercise.

(a) Subject to Section 2(c) and Participant's continued employment with the Company and/or its Subsidiaries (or as otherwise provided in Section 2(b)), the Award shall become vested and exercisable on the fourth anniversary of the Grant Date (the period between the Grant Date and the fourth anniversary of the Grant Date the "Performance Period") provided that during the Performance Period the Company's Common Shares closed at a price for thirty (30) consecutive trading days that is equal to or greater than $67.33 per share (the "Price Performance Standard").

(b) Notwithstanding anything herein or in the Plan to the contrary,

(i) upon the occurrence of a Change of Control in which either (A) the Price Performance Standard or the Alternate Price Performance Standard (as defined below) has been satisfied prior to the date of such Change of Control or (B) the price per Common Share received by the Company's shareholders in connection with such Change of Control transaction (as determined in good faith by the Committee as in existence immediately prior to the Change of Control) is equal to or greater than the Alternate Price Performance Standard (as defined below), the vesting of the Award shall be accelerated such that 100% of the then unvested portion of the Award shall become vested and exercisable as of the date of the Change of Control; and

(ii) in the event that Participant's employment with the Company and/or its Subsidiaries (or their respective successors) is terminated by the Company without "Cause" or by Participant for "Good Reason" (each as defined below), or in the event of Participant's death or "Disability" (as defined below) and either (A) the Price Performance Standard has been satisfied as of the date of such event or (B) during the period between the Grant Date and the date of such event, the Company's Common Shares closed at a price for thirty (30) consecutive trading days that is equal to or greater than $55.64 per share (the "Alternate Price Performance Standard"), the Award shall become immediately and fully vested and exercisable.

(c) Participant acknowledges and agrees that he is subject to Section 304 of the Sarbanes-Oxley Act of 2002.

3. Expiration.

(a) The Award shall expire on the seventh (7th) anniversary of the Grant Date; provided, however, that the Award may earlier terminate as provided in this Paragraph 3 and/or in Section 13 of the Plan.

(b) Subject to Section 3(c) hereof, in the event that the Price Performance Standard is not achieved during the Performance Period, the Award shall expire on the fourth (4th) anniversary of the Grant Date.

(c) Upon termination of Participant's employment with the Company, that portion of the Award that is vested and exercisable, and any portion of the Award that becomes vested and exercisable in accordance with Paragraph 2(b), will terminate in accordance with the following:

(i) if Participant's employment with the Company is terminated for Cause, the vested and exercisable portion of the Award will terminate on the date of such termination;

(ii) if Participant's employment with the Company is terminated by reason of Participant's resignation without Good Reason, the vested and exercisable portion of the Award will terminate on the date that is thirty days immediately following the date of such termination;

(iii) if Participant's employment with the Company is terminated by reason of Participant's death or Disability, the vested and exercisable portion of the Award will terminate on the date that is one year immediately following the date of such termination; and

(iv) if Participant's employment with the Company is terminated by the Company without Cause or by reason of Participant's resignation for Good Reason, the vested and exercisable portion of the Award will terminate on the date that is two years immediately following the date of such termination, unless the Award became vested and exercisable solely due to the achievement of the Alternate Price Performance Standard (and not the Price Performance Standard), in which event the Award will terminate on the date that is 90 days immediately following the date of such termination.

(d) Notwithstanding anything herein to the contrary, if Participant's employment with the Company is terminated for any reason other than a termination by the Company for Cause, and at any time during the permitted exercise period following the effective date of such termination of employment Participant is subject to a "trading blackout" or "quiet period" with respect to the Common Shares or if the Company determines, upon the advice of legal counsel, that Participant may not to trade in the Common Shares due to Participant's possession of material non-public information, the Company shall extend the period during which Participant may exercise his then remaining vested portion of this Award until the later of (i) the expiration date of the Award determined pursuant to Paragraph 3(c) and (ii) the date that is thirty days following the first date on which Participant is no longer subject to such restrictions on trading with respect to the Common Shares.

(e) For purposes hereof, the terms "Cause," Good Reason" and "Disability" shall have the meaning set forth in the employment agreement by and between the Company and Participant dated as of March 27, 2008.

4. Method of Exercise. The Award may be exercised by delivery to the Company (attention: Secretary) of a notice of exercise in the form specified by the Company specifying the number of shares with respect to which the Award is being exercised.

5. Fractional Shares. No fractional shares may be purchased upon any exercise.

6. Adjustments of Shares and Awards.

(a) Subject to Section 12(a) of the Plan, in the event of any change in the outstanding Shares by reason of an acquisition, spin-off or reclassification, recapitalization or merger, combination or exchange of Common Shares or other corporate exchange, Change of Control or similar event, the Committee shall adjust appropriately the number or kind of shares or securities subject to the Award and Base Prices related thereto and make such other revisions to the Award as it deems are equitably required. Any adjustments made pursuant to this Section 6 shall be implemented in accordance with Section 409A of the Internal Revenue Code of 1986, as amended.

(b) Notwithstanding anything in the Plan to the contrary, with respect to any merger or consolidation of the Company into another corporation, the sale or exchange of all or substantially all of the assets of the Company, a Change of Control or the recapitalization, reclassification, liquidation or dissolution of the Company or any other similar fundamental transaction involving the Company or any of its Subsidiaries (any of the foregoing, a "Qualifying Event"), the Committee shall provide either: (i) that the Award cannot be exercised after such Qualifying Event, provided that, subject to the satisfaction of the provisions of Section 2(b)(i) hereof, the Award shall be immediately and fully vested immediately prior to the consummation of any such Qualifying Event, and provided further that nothing in this Paragraph 6(b) shall prohibit Participant from exercising any then exercisable portion of the Award (including any portion thereof which will become exercisable by virtue of such Qualifying Event and/or the provisions of Section 2(b)(i)) prior to, or simultaneously with, the occurrence of such Qualifying Event and that, upon the occurrence of such Qualifying Event, the Award will terminate and be of no further force or effect and no longer be outstanding; (ii) that the Award will remain outstanding after such Qualifying Event, and from and after the consummation of such Qualifying Event, subject to the satisfaction of the provisions of Section 2(a) or 2(b) hereof, the Award will be exercisable for the kind and amount of securities and/or other property receivable as a result of such Qualifying Event by the holder of a number of Common Shares for which the Award could have been exercised immediately prior to such Qualifying Event; or (iii) the Award will be cancelled in its entirety and repurchased by the Company at a specific aggregate price equal to the excess, if any, of the Fair Market Value of the relevant underlying Common Shares less the applicable Base Price multiplied by then exercisable portion of the Award (including any portion thereof which will become exercisable by virtue of such Qualifying Event and/or the provisions of Section 2(b)(i)) and that, upon the occurrence of such Qualifying Event, the Award will terminate and be of no further force or effect and no longer be outstanding. In the event of any conflict or inconsistency between the terms and conditions of this Paragraph 6(b) and the terms and conditions of Sections 12(b) and/or 13 of the Plan, the terms and condition of this Paragraph 6(b) shall control. The Committee's election pursuant to this Paragraph 6(b) will be applied in the same manner to all other holders of the Company's stock options and stock appreciation rights whose award agreements contain a similar provision. The Committee may only elect the alternatives specified in clauses (i) or (iii) of the first sentence of this Paragraph 6(b) in connection with any Qualifying Event described in clauses (iii)(A) or (iii)(C) of the definition of "Change of Control" (as such term is defined in the Plan).

7. Compliance With Legal Requirements.

(a) The Award shall not be exercisable and no Common Shares shall be issued or transferred pursuant to this Agreement or the Plan unless and until the Tax Withholding Obligation (as defined below), and all legal requirements applicable to such issuance or transfer have, in the opinion of counsel to the Company, been satisfied. Such legal requirements may include, but are not limited to, (i) registering or qualifying such Common Shares under any state or federal law or under the rules of any stock exchange or trading system, (ii) satisfying any applicable law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from applicable laws, (iii) placing a restricted legend on the Common Shares issued pursuant to the exercise of the Award, or (iv) obtaining the consent or approval of any governmental regulatory body.

(b) Participant understands that the Company is under no obligation to register for resale the Common Shares issued upon exercise of the Award. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any exercise of the Award and/or any resales by Participant or other subsequent transfers by Participant of any Common Shares issued as a result of the exercise of the Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Common Shares underlying the Award and (iii) restrictions as to the use of a specified brokerage firm or other agent for exercising the Award and/or for such resales or other transfers. The sale of the shares underlying the Award must also comply with other applicable laws and regulations governing the sale of such shares.

8. Shareholder Rights. Participant shall not be deemed a shareholder of the Company with respect to any of the Common Shares subject to the Award, except to the extent that such shares shall have been purchased and transferred to Participant.

9. Withholding Taxes.

(a) Participant is liable and responsible for all taxes owed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant, vesting or settlement of the Award or the subsequent sale of Common Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate Participant's tax liability.

(b) Prior to any event in connection with the Award (e.g., vesting or payment in respect of the Award) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the "Tax Withholding Obligation"), Participant is required to arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(c) Participant shall notify the Company of Participant's election to pay Participant's Tax Withholding Obligation by wire transfer, cashier's check or by authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant in connection with the Award or by tendering Common Shares (either actually or by attestation) previously acquired, or other means permitted by the Company. In such case, Participant shall satisfy his or her tax withholding obligation by paying to the Company on such date as it shall specify an amount that the Company determines is sufficient to satisfy the expected Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a cashier's check payable to the Company, Attn: General Counsel, at the Company's principal executive offices, or such other address as the Company may from time to time direct, (iii) authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant in connection with the Award or by tendering Common Shares (either actually or by attestation) previously acquired, or (iv) such other means as the Company may establish or permit. Participant agrees and acknowledges that prior to the date the Tax Withholding Obligation arises, the Company will be required to estimate the amount of the Tax Withholding Obligation and accordingly may require the amount paid to the Company under this Paragraph 9(c) to be more than the minimum amount that may actually be due and that, if Participant has not delivered or otherwise provided payment of a sufficient amount to the Company to satisfy the Tax Withholding Obligation (regardless of whether as a result of the Company underestimating the required payment or Participant failing to timely make the required payment), the additional Tax Withholding Obligation amounts shall be satisfied such other means as the Committee deems appropriate.

10. Assignment or Transfer Prohibited. The Award may not be assigned or transferred otherwise than by will or by the laws of descent and distribution, and may be exercised during the life of Participant only by Participant or Participant's guardian or legal representative. Neither the Award nor any right hereunder shall be subject to attachment, execution or other similar process. In the

event of any attempt by Participant to alienate, assign, pledge, hypothecate or otherwise dispose of the Award or any right hereunder, except as provided for herein, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Award by notice to Participant, and the Award shall thereupon become null and void.

11. Committee Authority. Any question concerning the interpretation of this Agreement or the Plan, any adjustments required to be made under this Agreement or the Plan, and any controversy that may arise under this Agreement or the Plan shall be determined by the Committee in its sole and absolute discretion. All decisions by the Committee shall be final and binding.

12. Application of the Plan. The terms of this Agreement are governed by the terms of the Plan, as it exists on the date of hereof and as the Plan is amended from time to time. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise herein. As used herein, the term “Section” generally refers to provisions within the Plan, and the term “Paragraph” refers to provisions of this Agreement.

13. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon Participant any right to continued employment with the Company or any of its subsidiaries or affiliates.

14. Further Assurances. Each party hereto shall cooperate with each other party, shall do and perform or cause to be done and performed all further acts and things, and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan.

15. Entire Agreement. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature.

16. Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and Participant and Participant’s legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

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|---|---|
| | HERBALIFE LTD. |
| ____________________ | By: ____________________ |
| Michael O. Johnson | Name: |
| | Title: |

**FORM OF 2008 SARs**

**HERBALIFE LTD.**
**2005 STOCK INCENTIVE PLAN**

**STOCK APPRECIATION RIGHT AWARD AGREEMENT**

STOCK APPRECIATION RIGHT AGREEMENT (this "Agreement") dated as of March 27, 2008 (the "Grant Date") between HERBALIFE LTD., an entity organized under the laws of the Cayman Islands (the "Company"), and Michael O. Johnson ("Participant").

WHEREAS, pursuant to the Herbalife Ltd. 2005 Stock Incentive Plan (the "Plan"), the Committee designated under the Plan (or an officer of the Company to who the authority to grant Awards has been delegated), desires to grant to Participant an award of stock appreciation rights; and

WHEREAS, Participant desires to accept such award subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the Company and Participant, intending to be legally bound, hereby agree as follows:

1. Grant.

(a) The Company hereby grants to the Participant an Award of 396,120 Stock Appreciation Rights (the "Award") in accordance with Section 8 of the Plan and subject to the terms and conditions set forth herein and in the Plan (each as amended from time to time). Each Stock Appreciation Right represents the right to receive, upon exercise of the Stock Appreciation Right pursuant to this Agreement, from the Company, a payment, paid in Common Shares, par value $.002 per share, of the Company (the "Common Shares"), equal to (i) the excess of the Fair Market Value, on the date of exercise, of one Common Share (as adjusted from time to time pursuant to Section 12 of the Plan) over the Base Price (as defined below) of the Stock Appreciation Right, divided by (ii) the Fair Market Value, on the date of exercise, of one Common Share, subject to terms and conditions set forth herein and in the Plan (each as amended from time to time).

(b) The "Base Price" for the Stock Appreciation Right shall be $48.64 per share (subject to adjustment as set forth in Section 12 of the Plan).

(c) Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Plan.

2. Time for Exercise.

(a) Subject to Section 2(c) and Participant's continued employment with the Company and/or its Subsidiaries (or as otherwise provided in Section 2(b)), the Award shall become vested and exercisable on the fourth anniversary of the Grant Date (the period between the Grant Date and the fourth anniversary of the Grant Date the "Performance Period") provided that during the Performance Period the Company's Common Shares closed at a price for thirty (30) consecutive trading days that is equal to or greater than $80.43 per share (the "Price Performance Standard").

(b) Notwithstanding anything herein or in the Plan to the contrary,

(i) upon the occurrence of a Change of Control in which either (A) the Price Performance Standard or the Alternate Price Performance Standard (as defined below) has been satisfied prior to the date of such Change of Control or (B) the price per Common Share received by the Company's shareholders in connection with such Change of Control transaction (as determined in good faith by the Committee as in existence immediately prior to the Change of Control) is equal to or greater than the Alternate Price Performance Standard (as defined below), the vesting of the Award shall be accelerated such that 100% of the then unvested portion of the Award shall become vested and exercisable as of the date of the Change of Control; and

(ii) in the event that Participant's employment with the Company and/or its Subsidiaries (or their respective successors) is terminated by the Company without "Cause" or by Participant for "Good Reason" (each as defined below), or in the event of Participant's death or "Disability" (as defined below) and either (A) the Price Performance Standard has been satisfied as of the date of such event or (B) during the period between the Grant Date and the date of such event, the Company's Common Shares closed at a price for thirty (30) consecutive trading days that is equal to or greater than $60.82 per share (the "Alternate Price Performance Standard"), the Award shall become immediately and fully vested and exercisable.

(c) Participant acknowledges and agrees that he is subject to Section 304 of the Sarbanes-Oxley Act of 2002.

3. Expiration.

(a) The Award shall expire on the seventh (7th) anniversary of the Grant Date; provided, however, that the Award may earlier terminate as provided in this Paragraph 3 and/or in Section 13 of the Plan.

(b) Subject to Section 3(c) hereof, in the event that the Price Performance Standard is not achieved during the Performance Period, the Award shall expire on the fourth (4th) anniversary of the Grant Date.

(c) Upon termination of Participant's employment with the Company, that portion of the Award that is vested and exercisable, and any portion of the Award that becomes vested and exercisable in accordance with Paragraph 2(b), will terminate in accordance with the following:

(i) if Participant's employment with the Company is terminated for Cause, the vested and exercisable portion of the Award will terminate on the date of such termination;

(ii) if Participant's employment with the Company is terminated by reason of Participant's resignation without Good Reason, the vested and exercisable portion of the Award will terminate on the date that is thirty days immediately following the date of such termination;

(iii) if Participant's employment with the Company is terminated by reason of Participant's death or Disability, the vested and exercisable portion of the Award will terminate on the date that is one year immediately following the date of such termination; and

(iv) if Participant's employment with the Company is terminated by the Company without Cause or by reason of Participant's resignation for Good Reason, the vested and exercisable portion of the Award will terminate on the date that is two years immediately following the date of such termination, unless the Award became vested and exercisable solely due to the achievement of the Alternate Price Performance Standard (and not the Price Performance Standard), in which event the Award will terminate on the date that is 90 days immediately following the date of such termination.

(d) Notwithstanding anything herein to the contrary, if Participant's employment with the Company is terminated for any reason other than a termination by the Company for Cause, and at any time during the permitted exercise period following the effective date of such termination of employment Participant is subject to a "trading blackout" or "quiet period" with respect to the Common Shares or if the Company determines, upon the advice of legal counsel, that Participant may not to trade in the Common Shares due to Participant's possession of material non-public information, the Company shall extend the period during which Participant may exercise his then remaining vested portion of this Award until the later of (i) the expiration date of the Award determined pursuant to Paragraph 3(c) and (ii) the date that is thirty days following the first date on which Participant is no longer subject to such restrictions on trading with respect to the Common Shares.

(e) For purposes hereof, the terms "Cause," Good Reason" and "Disability" shall have the meaning set forth in the employment agreement by and between the Company and Participant dated as of March 27, 2008.

4. Method of Exercise. The Award may be exercised by delivery to the Company (attention: Secretary) of a notice of exercise in the form specified by the Company specifying the number of shares with respect to which the Award is being exercised.

5. Fractional Shares. No fractional shares may be purchased upon any exercise.

6. Adjustments of Shares and Awards.

(a) Subject to Section 12(a) of the Plan, in the event of any change in the outstanding Shares by reason of an acquisition, spin-off or reclassification, recapitalization or merger, combination or exchange of Common Shares or other corporate exchange, Change of Control or similar event, the Committee shall adjust appropriately the number or kind of shares or securities subject to the Award and Base Prices related thereto and make such other revisions to the Award as it deems are equitably required. Any adjustments made pursuant to this Section 6 shall be implemented in accordance with Section 409A of the Internal Revenue Code of 1986, as amended.

(b) Notwithstanding anything in the Plan to the contrary, with respect to any merger or consolidation of the Company into another corporation, the sale or exchange of all or substantially all of the assets of the Company, a Change of Control or the recapitalization, reclassification, liquidation or dissolution of the Company or any other similar fundamental transaction involving the Company or any of its Subsidiaries (any of the foregoing, a "Qualifying Event"), the Committee shall provide either: (i) that the Award cannot be exercised after such Qualifying Event, provided that, subject to the satisfaction of the provisions of Section 2(b)(i) hereof, the Award shall be immediately and fully vested immediately prior to the consummation of any such Qualifying Event, and provided further that nothing in this Paragraph 6(b) shall prohibit Participant from exercising any then exercisable portion of the Award (including any portion thereof which will become exercisable by virtue of such Qualifying Event and/or the provisions of Section 2(b)(i)) prior to, or simultaneously with, the occurrence of such Qualifying Event and that, upon the occurrence of such Qualifying Event, the Award will terminate and be of no further force or effect and no longer be outstanding; (ii) that the Award will remain outstanding after such Qualifying Event, and from and after the consummation of such Qualifying Event, subject to the satisfaction of the provisions of Section 2(a) or 2(b) hereof, the Award will be exercisable for the kind and amount of securities and/or other property receivable as a result of such Qualifying Event by the holder of a number of Common Shares for which the Award could have been exercised immediately prior to such Qualifying Event; or (iii) the Award will be cancelled in its entirety and repurchased by the Company at a specific aggregate price equal to the excess, if any, of the Fair Market Value of the relevant underlying Common Shares less the applicable Base Price multiplied by then exercisable portion of the Award (including any portion thereof which will become exercisable by virtue of such Qualifying Event and/or the provisions of Section 2(b)(i)) and that, upon the occurrence of such Qualifying Event, the Award will terminate and be of no further force or effect and no longer be outstanding. In the event of any conflict or inconsistency between the terms and conditions of this Paragraph 6(b) and the terms and conditions of Sections 12(b) and/or 13 of the Plan, the terms and condition of this Paragraph 6(b) shall control. The Committee's election pursuant to this Paragraph 6(b) will be applied in the same manner to all other holders of the Company's stock options and stock appreciation rights whose award agreements contain a similar provision. The Committee may only elect the alternatives specified in clauses (i) or (iii) of the first sentence of this Paragraph 6(b) in connection with any Qualifying Event described in clauses (iii)(A) or (iii)(C) of the definition of "Change of Control" (as such term is defined in the Plan).

7. Compliance With Legal Requirements.

(a) The Award shall not be exercisable and no Common Shares shall be issued or transferred pursuant to this Agreement or the Plan unless and until the Tax Withholding Obligation (as defined below), and all legal requirements applicable to such issuance or transfer have, in the opinion of counsel to the Company, been satisfied. Such legal requirements may include, but are not limited to, (i) registering or qualifying such Common Shares under any state or federal law or under the rules of any stock exchange or trading system, (ii) satisfying any applicable law or rule relating to the transfer of unregistered securities or demonstrating the availability of an exemption from applicable laws, (iii) placing a restricted legend on the Common Shares issued pursuant to the exercise of the Award, or (iv) obtaining the consent or approval of any governmental regulatory body.

(b) Participant understands that the Company is under no obligation to register for resale the Common Shares issued upon exercise of the Award. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any exercise of the Award and/or any resales by Participant or other subsequent transfers by Participant of any Common Shares issued as a result of the exercise of the Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Common Shares underlying the Award and (iii) restrictions as to the use of a specified brokerage firm or other agent for exercising the Award and/or for such resales or other transfers. The sale of the shares underlying the Award must also comply with other applicable laws and regulations governing the sale of such shares.

8. Shareholder Rights. Participant shall not be deemed a shareholder of the Company with respect to any of the Common Shares subject to the Award, except to the extent that such shares shall have been purchased and transferred to Participant.

9. Withholding Taxes.

(a) Participant is liable and responsible for all taxes owed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant, vesting or settlement of the Award or the subsequent sale of Common Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate Participant's tax liability.

(b) Prior to any event in connection with the Award (e.g., vesting or payment in respect of the Award) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the "Tax Withholding Obligation"), Participant is required to arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(c) Participant shall notify the Company of Participant's election to pay Participant's Tax Withholding Obligation by wire transfer, cashier's check or by authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant in connection with the Award or by tendering Common Shares (either actually or by attestation) previously acquired, or other means permitted by the Company. In such case, Participant shall satisfy his or her tax withholding obligation by paying to the Company on such date as it shall specify an amount that the Company determines is sufficient to satisfy the expected Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a cashier's check payable to the Company, Attn: General Counsel, at the Company's principal executive offices, or such other address as the Company may from time to time direct, (iii) authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant in connection with the Award or by tendering Common Shares (either actually or by attestation) previously acquired, or (iv) such other means as the Company may establish or permit. Participant agrees and acknowledges that prior to the date the Tax Withholding Obligation arises, the Company will be required to estimate the amount of the Tax Withholding Obligation and accordingly may require the amount paid to the Company under this Paragraph 9(c) to be more than the minimum amount that may actually be due and that, if Participant has not delivered or otherwise provided payment of a sufficient amount to the Company to satisfy the Tax Withholding Obligation (regardless of whether as a result of the Company underestimating the required payment or Participant failing to timely make the required payment), the additional Tax Withholding Obligation amounts shall be satisfied such other means as the Committee deems appropriate.

10. Assignment or Transfer Prohibited. The Award may not be assigned or transferred otherwise than by will or by the laws of descent and distribution, and may be exercised during the life of Participant only by Participant or Participant's guardian or legal representative. Neither the Award nor any right hereunder shall be subject to attachment, execution or other similar process. In the

event of any attempt by Participant to alienate, assign, pledge, hypothecate or otherwise dispose of the Award or any right hereunder, except as provided for herein, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Award by notice to Participant, and the Award shall thereupon become null and void.

11. Committee Authority. Any question concerning the interpretation of this Agreement or the Plan, any adjustments required to be made under this Agreement or the Plan, and any controversy that may arise under this Agreement or the Plan shall be determined by the Committee in its sole and absolute discretion. All decisions by the Committee shall be final and binding.

12. Application of the Plan. The terms of this Agreement are governed by the terms of the Plan, as it exists on the date of hereof and as the Plan is amended from time to time. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise herein. As used herein, the term “Section” generally refers to provisions within the Plan, and the term “Paragraph” refers to provisions of this Agreement.

13. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon Participant any right to continued employment with the Company or any of its subsidiaries or affiliates.

14. Further Assurances. Each party hereto shall cooperate with each other party, shall do and perform or cause to be done and performed all further acts and things, and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan.

15. Entire Agreement. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature.

16. Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and Participant and Participant’s legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

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|---|---|
| | HERBALIFE LTD. |
| ______________________________ | By: ______________________________ |
| Michael O. Johnson | Name: |
| | Title: |

**FORM OF 2008 RSU**

**HERBALIFE LTD.**
**2005 STOCK INCENTIVE PLAN**
**STOCK UNIT AWARD AGREEMENT**

This Stock Unit Award Agreement (this "Agreement") is dated as of this 27th day of March, 2008 (the "Grant Date"), and is between Herbalife Ltd., an entity organized under the laws of the Cayman Islands (the "Company"), and Michael O. Johnson ("Participant").

WHEREAS, the Company, by action of the Board and approval of its shareholders established the Herbalife Ltd. 2005 Stock Incentive Plan (the "Plan");

WHEREAS, Participant is employed by the Company or one or more of its Subsidiaries and the Company desires to encourage Participant to own Common Shares for the purposes stated in Section 1 of the Plan;

WHEREAS, Participant and the Company have entered into this Agreement to govern the terms of the Stock Unit Award (as defined below) granted to Participant by the Company.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. Grant.

(a) The Company hereby grants to Participant an Award of 130,480 Stock Units (the "Award") in accordance with Section 9 of the Plan and subject to the conditions set forth in this Agreement and the Plan (as amended from time to time). Each Stock Unit represents the right to receive one Common Share (as adjusted from time to time pursuant to Section 12 of the Plan) subject to the fulfillment of the vesting and other conditions set forth in this Agreement. By accepting the Award, Participant irrevocably agrees on behalf of Participant and Participant's successors and permitted assigns to all of the terms and conditions of the Award as set forth in or pursuant to this Agreement and the Plan (as such Plan may be amended from time to time).

(b) Except as otherwise defined herein, capitalized terms used herein shall have the meanings set forth in the Plan.

2. Vesting.

(a) Participant's Stock Units and rights in and to the Common Shares subject to the Stock Units shall not be vested as of the Grant Date and shall be forfeitable unless and until otherwise vested pursuant to the terms of this Agreement. Subject to Participant's continued employment with the Company and/or its subsidiaries or affiliates the Award shall become vested in accordance with the following schedule: (i) thirty percent (30%) of the Stock Units subject to the Award shall vest on the first anniversary of the Grant Date, (ii) thirty percent (30%) of the Stock Units subject to the Award shall vest on the second anniversary of the Grant Date, (iii) thirty percent (30%) of the Stock Units subject to the Award shall vest on the third anniversary of the Grant Date, and (iv) the remaining ten percent (10%) of the Stock Units subject to the Award shall vest on the fourth anniversary of the Grant Date (each such date a "Vesting Date"). Stock Units that have vested and are no longer subject to forfeiture are referred to herein as "Vested Units." Stock Units that are not vested and remain subject to forfeiture are referred to herein as "Unvested Units."

(b) Notwithstanding anything herein or in the Plan to the contrary, upon the occurrence of a Section 409A Change of Control (as defined below), any Unvested Units shall become fully vested as of immediately prior to the consummation of the Section 409A Change of Control.

(c) Notwithstanding anything herein or in the Plan to the contrary, in the event of Participant's termination of employment as a result of Participant's death or "Disability" (as defined below), all Unvested Units shall vest as of the date of such termination of employment.

(d) Notwithstanding anything herein or in the Plan to the contrary, but subject to Section 2(b) hereof, in the event of Participant's termination of employment by the Company without "Cause" or by Participant for "Good Reason" (each as defined below, and the date of such event being referred to in this Section 2(d) as the "Termination Date"), the Unvested Units shall vest as follows:

(i) the portion of the Unvested Units that would have become vested on the applicable Vesting Date pursuant to Section 2(a) above next following the Termination Date shall become vested as of the Termination Date on a pro rata basis, calculated by multiplying such portion of the Unvested Units by a fraction, the numerator of which is equal to the number of months elapsed from the Vesting Date that immediately preceded the Termination Date through and including the month of the Termination Date, and the denominator of which is twelve;

(ii) in addition to the Unvested Units described in clause (i) above, in the event the Termination Date is on or prior to the second anniversary of the Grant Date, then an additional number of Unvested Units shall become vested as of the Termination Date equal to fifty percent (50%) of the then-remaining Unvested Units (determined after applying the clause (i) above);

(iii) in addition to the Unvested Units described in clause (i) above, in the event the Termination Date is after the second anniversary of the Grant Date but on or prior to the third anniversary of the Grant Date, then an additional number of Unvested Units shall become vested as of the Termination Date equal to seventy-five percent (75%) of the then-remaining Unvested Units (determined after applying the clause (i) above); and

(iv) in addition to the Unvested Units described in clause (i) above, in the event the Termination Date is after the third anniversary of the Grant Date, all Unvested Units shall become vested as of the Termination Date.

(e) For purposes hereof, the terms "Disability," "Cause" and "Good Reason" shall have the meaning set forth in the employment agreement by and between the Company and the Participant dated as of March 27, 2008 (the "Employment Agreement").

(f) For purposes hereof, the term "Section 409A Change in Control" shall mean the consummation of (i) a "change in the ownership" of the Company, (ii) a "change in the effective control" of the Company or (iii) a "change in the ownership of a substantial portion of the assets" of the Company (each as defined under Section 409A of the Internal Revenue Code of 1986, as amended).

3. Settlement of Stock Units.

(a) Subject to any deferral pursuant to Paragraph 3(b) hereof and subject to the provisions of Section 20(b) of the Employment Agreement, each Vested Unit will be settled by the delivery of one Common Share (subject to adjustment under Section 12 of the Plan) to Participant or, in the event of Participant's death, to Participant's estate, heir or beneficiary, within thirty (30) days following the applicable Vesting Date; provided that the Participant has satisfied all of the tax withholding obligations described in Paragraph 8, and that Participant has completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the Common Shares.

(b) Subject to the satisfaction all of the tax withholding obligations described in Paragraph 8, Participant may elect to defer the receipt of any Common Shares issuable pursuant to Vested Units by submitting to the Company an election to defer receipt in the forms attached hereto as Exhibit A. In the event Participant intends to defer the receipt of any Common Shares, Participant must submit to the Company a deferral election form within thirty (30) days following the Grant Date. Participant hereby represents that Participant understands the effect of any such deferral under relevant federal, state and local tax laws.

(c) The date upon which Common Shares are to be issued under either Paragraph 3(a) or 3(b) above is referred to as the "Settlement Date." The issuance of the Common Shares hereunder may be effected by the issuance of a stock certificate, recording shares on the stock records of the Company or by crediting shares in an account established on Participant's behalf with a brokerage firm or other custodian, in each case as determined by the Company. Fractional shares will not be issued pursuant to the Award.

(d) Notwithstanding the above, (i) for administrative or other reasons, the Company may from time to time temporarily suspend the issuance of Common Shares in respect of Vested Units, (ii) the Company shall not be obligated to deliver any Common Shares during any period when the Company determines that the delivery of shares hereunder would violate any federal, state or other applicable laws, (iii) the Company may issue Common Shares hereunder subject to any restrictive legends that, as determined by the Company's counsel, are necessary to comply with securities or other regulatory requirements and (iv) the date on which shares are issued hereunder may include a delay in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters.

4. Shareholder Rights. Prior to any issuance of Common Shares in settlement of the Award, no Common Shares will be reserved or earmarked for Participant or Participant's account nor shall Participant have any of the rights of a stockholder with respect to such Common Shares. Except as set forth in Paragraph 5, the Participant will not be entitled to any privileges of ownership of the Common Shares (including, without limitation, any voting rights) underlying Vested Units and/or Unvested Units unless and until Common Shares are actually delivered to Participant hereunder.

5. Dividend Equivalent Rights. From and after the Grant Date and unless and until the Award is forfeited or otherwise transferred back to the Company, Participant will be credited with additional Stock Units having a value equal to dividends declared by the Company, if any, with record dates that occur prior to the settlement of the Award as if the Common Shares underlying the Award had been issued and outstanding, based on the Fair Market Value of a Common Share on the applicable dividend payment date. Any such additional Stock Units shall be considered part of the Award and shall also be credited with additional Stock Units as dividends, if any, are declared, and shall be subject to the same restrictions and conditions as the Stock Units subject to the Award with respect to which they were credited (including, but not limited to, the forfeiture provisions set forth in Paragraph 6). Notwithstanding the foregoing, no such additional Stock Units will be credited with respect to any dividend declared by the Company in connection with which the Award is adjusted pursuant to Section 12 of the Plan.

6. Effect of Termination of Employment. Notwithstanding anything to the contrary in the Plan, and except as provided in Sections 2(b), 2(c) and 2(d) hereof, upon a termination of Participant's employment with the Company for any reason, the Unvested

Units shall be forfeited by Participant and cancelled and surrendered to the Company without payment of any consideration to Participant.

7. Adjustments of Common Shares and Awards. Subject to Section 12(a) of the Plan, in the event of any change in the outstanding Common Shares by reason of an acquisition, spin-off or reclassification, recapitalization or merger, combination or exchange of Common Shares or other corporate exchange, Change of Control or similar event, the Committee shall adjust appropriately the number or kind of shares or securities subject to the Award and make such other revisions to the Award as it deems are equitably required.

8. Withholding Taxes.

(a) Participant is liable and responsible for all taxes owed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company does not make any representation or undertaking regarding the treatment of any tax withholding in connection with the grant, vesting or settlement of the Award or the subsequent sale of Common Shares issuable pursuant to the Award. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate Participant's tax liability.

(b) Prior to any event in connection with the Award (e.g., vesting or payment in respect of the Award) that the Company determines may result in any domestic or foreign tax withholding obligation, whether national, federal, state or local, including any social tax obligation (the "Tax Withholding Obligation"), Participant is required to arrange for the satisfaction of the amount of such Tax Withholding Obligation in a manner acceptable to the Company.

(c) Unless the Committee provides otherwise, at any time not less than five (5) business days before any Tax Withholding Obligation arises (e.g., a Settlement Date), Participant shall notify the Company of Participant's election to pay Participant's Tax Withholding Obligation by wire transfer, cashier's check or by authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant as a result of the settlement of the Stock Units or by tendering Common Shares (either actually or by attestation) previously acquired, or other means permitted by the Company. In such case, Participant shall satisfy his or her tax withholding obligation by paying to the Company on such date as it shall specify an amount that the Company determines is sufficient to satisfy the expected Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a cashier's check payable to the Company, Attn: General Counsel, at the Company's principal executive offices, or such other address as the Company may from time to time direct, (iii) authorizing the Company to withhold a portion of the Common Shares that would otherwise be issued to Participant as a result of the settlement of the Stock Units or by tendering Common Shares (either actually or by attestation) previously acquired, or (iv) such other means as the Company may establish or permit (including by means of a "same day sale" program developed under Regulation T as promulgated by the Federal Reserve Board to the extent permitted by the Company and applicable law). Participant agrees and acknowledges that prior to the date the Tax Withholding Obligation arises, the Company will be required to estimate the amount of the Tax Withholding Obligation and accordingly may require the amount paid to the Company under this Paragraph 8(c) to be more than the minimum amount that may actually be due and that, if Participant has not delivered or otherwise provided payment of a sufficient amount to the Company to satisfy the Tax Withholding Obligation (regardless of whether as a result of the Company underestimating the required payment or Participant failing to timely make the required payment), the additional Tax Withholding Obligation amounts shall be satisfied by such other means as the Committee deems appropriate.

9. Securities Law Compliance. Participant understands that the Company is under no obligation to register for resale the Common Shares issued upon settlement of the Award. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by Participant or other subsequent transfers by Participant of any Common Shares issued as a result of or under this Award, including without limitation (i) restrictions under an insider trading policy, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Award and/or the Common Shares underlying the Award and (iii) restrictions as to the use of a specified brokerage firm or other agent for such resales or other transfers. Any sale of the Common Shares must also comply with other applicable laws and regulations governing the sale of such shares.

10. Assignment or Transfer Prohibited. The Award (whether or not vested) may not be assigned or transferred otherwise than by will or by the laws of descent and distribution; provided, however, Participant may assign or transfer the Award to the extent permitted under the Plan, provided that the Award shall be subject to all the terms and condition of the Plan, this Agreement and any other terms required by the Committee as a condition to such transfer. Neither the Award nor any right hereunder shall be subject to attachment, execution or other similar process. In the event of any attempt by Participant to alienate, assign, pledge, hypothecate or otherwise dispose of the Award or any right hereunder, except as provided for herein, or in the event of the levy or any attachment, execution or similar process upon the rights or interests hereby conferred, the Company may terminate the Award by notice to Participant, and the Award shall thereupon become null and void.

11. Committee Authority. Any question concerning the interpretation of this Agreement or the Plan, any adjustments required to be made under this Agreement or the Plan, and any controversy that may arise under this Agreement or the Plan shall be determined by the Committee in its sole and absolute discretion. All decisions by the Committee shall be final and binding.

12. Application of the Plan. The terms of this Agreement are governed by the terms of the Plan, as it exists on the date of hereof and as the Plan is amended from time to time. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise herein. As used herein, the term “Section” generally refers to provisions within the Plan, and the term “Paragraph” refers to provisions of this Agreement.

13. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon Participant any right to continued employment with the Company or any of its Subsidiaries or affiliates.

14. Further Assurances. Each party hereto shall cooperate with each other party, shall do and perform or cause to be done and performed all further acts and things, and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan.

15. Entire Agreement. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature.

16. Successors and Assigns. The provisions of this Agreement will inure to the benefit of, and be binding on, the Company and its successors and assigns and Participant and Participant’s legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person will have become a party to this Agreement and agreed in writing to join herein and be bound by the terms and conditions hereof.

[*signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

HERBALIFE LTD.

By: ______________________________

Name:
Title:

______________________________
Michael O. Johnson

**HERBALIFE LTD.**
**2005 STOCK INCENTIVE PLAN**
**STOCK UNIT AWARD AGREEMENT**
**DEFERRAL ELECTION FORM**

Effective as of __, the undersigned hereby irrevocably elects (the "Election") to defer receipt of certain common shares (the "Common Shares") of Herbalife Ltd. (the "Company") related to the Stock Units (the "Award") awarded under and pursuant to the Stock Unit Award Agreement dated March 27, 2008 (the "Award Agreement") and the Herbalife Ltd. 2005 Stock Incentive Plan, as amended from time to time (the "Plan"). This deferral shall be made in accordance with the terms and provisions outlined in this Election in the manner and amount set forth below.

In making this election, the following rules apply:

- You may elect to defer the settlement of all or a portion of your Award. Your deferral must be expressed as a percentage of the Stock Units subject to the Award, and will apply with respect to that percentage of the Stock Units that vest on each Vesting Date (other than any Vesting Date that occurs prior to the date that is 12 months following the date on which this Election is received by the Company).
- If you elect to defer the settlement of all or a portion of your Award, you will receive the Common Shares subject to your Vested Units (as such term is defined in the Award Agreement) upon the first to occur of (a) a date specified in this Election or (b) a termination of your employment with the Company for any reason.

**Manner of Transfer**

In general, all deferrals pursuant to this election will be paid out in Common Shares. Subject to the terms and conditions of the Award Agreement and the Plan and additional delays described in Paragraph 4 below under Terms and Conditions, all of the Common Shares you are entitled to receive on the Settlement Date specified in this Election will be transferred to you on the applicable Settlement Date.

**Amount of the Deferral**

☐ I hereby irrevocably elect to defer settlement of __% of the Stock Units subject to the Award.

**Duration of the Deferral**

Settlement of that portion of the Award specified above shall be deferred until [by checking the appropriate box below and, if applicable, filling in the distribution date]:

☐ __, 20__ [Note: this date must be after the final vesting date of the Award], but in no event later than a termination of my employment with the Company; or

☐ termination of my employment with the Company.

**Change in Control**

☐ I hereby acknowledge that unless I elect hereunder not to receive payment in respect of that portion of the Award deferred hereunder upon a Section 409A Change in Control Event (as defined herein), I will automatically receive payment in respect of that portion of the Award deferred hereunder upon the consummation of either (i) a "change in the ownership" of the Company, (ii) a "change in the effective control" of the Company or (iii) a "change in the ownership of a substantial portion of the assets" of the Company (each as defined under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and collectively referred to herein as a "Section 409A Change in Control Event").

[You must indicate your election **not** to receive payment upon a Section 409A Change in Control Event by checking the box and initialing to the left]

**Terms and Conditions**

By signing this form, you acknowledge your understanding and acceptance of the following:

1. **Submission of Election to the Company**. You understand that the Election must be submitted to the Company within 30 days following the date the Award was granted.
2. **Tax Withholding Obligation**. No Common Shares will be issued to you unless on the Settlement Date unless the Tax Withholding Obligation set forth in Paragraph 9 of the Agreement is satisfied.

3. **Cash Dividends**. You will be credited with additional Stock Units (the settlement of which shall be deferred hereunder) having a value equal to any cash dividends declared by the Company with record dates that occur prior to the settlement of the Award as if the Common Shares underlying that portion of the Award that is deferred hereunder had been issued and outstanding, based on the fair market value of a Common Share on the applicable dividend payment date. Any such
additional Stock Units shall be considered part of the Award and shall also be credited with additional Stock Units as dividends, if any, are declared, and shall be subject to all of the terms and conditions set forth herein.

4. **Automatic Delay for Specified Employees**. If the Company determines that as of the Settlement Date you are a "specified employee" (as such term is defined under Section 409A of the Code, any Common Shares to be issued to you on a Settlement Date that occurs by reason of your termination of employment with the Company other by reason of your death or "disability (as such term is defined under Section 409A of the Code) will not be issued to you until the date that is six months following the Settlement Date (or such earlier time permitted under Section 409A of the Code without the imposition of any accelerated or additional taxes under Section 409A of the Code).

5. **ERISA Status.** This Election comprises a portion of a plan is intended to be an unfunded plan that is maintained primarily to provide deferred compensation to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

6. **Administration**. This Election is administered and interpreted by the Committee (as such term is defined in the Plan). The Committee has full and exclusive discretion to interpret and administer this Election. All actions, interpretations and decisions of the Committee are conclusive and binding on all persons, and will be given the maximum possible deference allowed by law.

7. **Claims Procedure**. Any person who believes he or she is entitled to any payment under this Election may submit a claim in writing to the Company. If the claim is denied (either in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Agreement or the Plan on which the denial is based. The notice will describe any additional information needed to support the claim. The denial notice will be provided within ninety (90) days after the claim is received. If special circumstances require an extension of time (up to 90 days), written notice of the extension will be given within the initial ninety-day period.

8. **Appeals Procedure**. If a claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Company for a review of the decision denying the claim. The claimant (or representative) then has the right to review pertinent documents and to submit issues and comments in writing. The Company will provide written notice of its decision on review within sixty (60) days after it receives a review request. If additional time (up to sixty (60) days) is needed to review the request, the claimant will be given written notice of the reason for the delay. Any claims for benefits under this Election brought in a court of law must be filed in such court before the earlier of ninety (90) days after any appeal pursuant to this Paragraph 8 or one (1) year from the date the claim arose.

[*signature page follows*]

| | |
|---|---|
| Submitted by: | Accepted by: |
| | HERBALIFE LTD. |
| | By: ______________________ |
| ______________________<br>Michael O. Johnson | Name:<br>Title: |

**PARACHUTE TAX INDEMNITY PROVISIONS**

This Annex D sets forth the terms and provisions applicable to Executive pursuant to the provisions of Section 4(g) of the Agreement. This Annex D shall be subject in all respects to the terms and conditions of the Agreement. Capitalized terms used without definition in this Annex D shall have the meanings set forth in the Agreement.

(i) In the event that Executive shall become entitled to payments and/or benefits provided by the Agreement or any other amounts in the "nature of compensation" (whether pursuant to the terms of any plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") or any person affiliated with the Company or such person) as a result of such change in ownership or effective control (collectively, the "Company Payments"), and such Company Payments will be subject to the tax (the 'Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed by any taxing authority), the Company shall pay to Executive at the time specified in clause (v) hereof an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive, after deduction of any Excise Tax on the Company Payments and any U.S. federal, state, and local income or payroll tax upon the Gross-Up Payment provided for by this clause (i), but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments.

(ii) For purposes of determining whether any of the Company Payments and Gross-Up Payment (collectively, the 'Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (A) the Total Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Section 280G(b)(2) of the Code) or tax counsel selected by such accountants or the Company (the "Accountants") such Total Payments (in whole or in part): (1) do not constitute "parachute payments," (2) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or (3) are otherwise not subject to the Excise Tax, and (B) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code. In the event that the Accountants are serving as accountants or auditors for the individual, entity or group effecting the change in control (within the meaning of Section 280G of the Code), the Company may appoint another nationally recognized accounting firm to make the determinations hereunder (which accounting firm shall then be referred to as the "Accountants" hereunder). All determinations hereunder shall be made by the Accountants which shall provide detailed supporting calculations both to the Company and Executive at such time as it is requested by the Company or Executive. The determination of the Accountants shall be final and binding upon the Company and Executive.

(iii) For purposes of determining the amount of the Gross-Up Payment, Executive's marginal blended actual rates of federal, state and local income taxation in the calendar year in which the change in ownership or effective control that subjects Executive to the Excise Tax occurs shall be used. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-Up Payment is made, Executive shall promptly repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-Up Payment being repaid by Executive), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is later determined by the Accountants or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-Up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess imposed by the applicable taxing authority) promptly after the amount of such excess is finally determined.

(iv) The Gross-Up Payment or portion thereof provided for in clause (iii) above shall be paid not later than the sixtieth (60th) day following an event occurring which subjects Executive to the Excise Tax; provided, however, that if the amount of such Gross-Up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to Executive on such day an estimate, as determined in good faith by the Accountants, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to clause (iii) above, as soon as the amount thereof can reasonably be determined. Subject to clauses (iii) and (viii) of this Annex D, in the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to Executive, payable on the fifth (5th) day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(v) Executive shall promptly notify the Company in writing of any claim by any taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment; provided, however, that failure by Executive to give such notice promptly shall not result in a waiver or forfeiture of any the Executive's rights under this Annex D except to the extent of actual damages suffered by the Company as a result of such failure. If the Company notifies Executive in writing within 15 days after receiving such notice that it desires to contest such claim (and demonstrates to the reasonable satisfaction of Executive its ability to pay any resulting Gross-Up Payment), the Executive shall:

(A) give the Company any information reasonably requested by the Company relating to such claim;

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company that is reasonably acceptable to Executive;

(C) cooperate with the Company in good faith in order effectively to contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company's actions do not unreasonably interfere with or prejudice Executive's disputes with the taxing authority as to other issues; and provided, further, that the Company shall bear and pay on an after-tax and as-incurred basis, all attorneys fees, costs and expenses (including additional interest, penalties and additions to tax) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax and as-incurred basis, for all resulting taxes (including, without limitation, income and excise taxes), interest, penalties and additions to tax.

(vi) The Company shall be responsible for all charges of the Accountants.

(vii) The Company and Executive shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax covered by this Annex D.

(viii) Nothing in this Annex D is intended to violate the Sarbanes-Oxley Act of 2002 and to the extent that any advance or repayment obligation hereunder would do so, such obligation shall be modified so as to make the advance a nonrefundable payment to Executive and the repayment obligation null and void.

(ix) Notwithstanding the foregoing, any payment or reimbursement made pursuant to this Annex D shall be paid to Executive promptly and in no event later than the end of the calendar year next following the calendar year in which the related tax is paid by Executive or as otherwise provided under Treasury Regulation §1.409A-3(i)(1)(v).

(x) The provisions of this Annex D shall survive the termination of Executive's employment with the Company for any reason and any amount payable under this Annex D shall be subject to the provisions of Section 20 of the Agreement.

**AGREEMENT AND GENERAL RELEASE**

Agreement and General Release (the "Agreement"), by and among Michael O. Johnson ("Executive" and referred to herein as "you") and Herbalife International of America, Inc., a Nevada corporation (the "Company").

1. In exchange for your waiver of claims against the Company Entities (as defined below) and compliance with other terms and conditions of this Agreement, upon the effectiveness of this Agreement, the Company agrees to provide you with the payments and benefits provided in Section 4 of your employment agreement with the Company, dated March 27, 2008 (the "Employment Agreement").

2. (a) In consideration for the payments and benefits to be provided to you pursuant to paragraph 1 above, you, for yourself and for your heirs, executors, administrators, trustees, legal representatives, and assigns (hereinafter referred to collectively as "Releasors"), FOREVER RELEASE AND DISCHARGE THE Company and its past, present and future parent entities, subsidiaries, divisions, affiliates and related business entities, successors and assigns, assets, employee benefit plans or funds, and any of its or their respective past, present and/or future directors, officers, fiduciaries, agents, trustees, administrators, employees and assigns, whether acting on behalf of the Company or in their individual capacities (collectively the "Company Entities") from any and all claims, suits, demands, causes of action, covenants, obligations, debts, costs, expenses, fees and liabilities of any kind whatsoever in law or equity, by statute or otherwise, whether known or unknown, vested or contingent, suspected or unsuspected and whether or not concealed or hidden (collectively, the "Claims"), which you ever had, now have, or may have against any of the Company Entities by reason of any act, omission, transaction, practice, plan, policy, procedure, conduct, occurrence, or other matter related in any way to your employment by (including, but not limited to, termination thereof) the Company Entities up to and including the date on which you sign this Agreement, except as provided in subsection (c) below.

(b) Without limiting the generality of the foregoing, this Agreement is intended to and shall release the Company Entities from any and all claims, whether known or unknown, which Releasors ever had, now have, or may have against the Companies Entities arising out of your employment or termination thereof, including, but not limited to: (i) any claim under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974 (excluding claims for accrued, vested benefits under any employee benefit or pension plan of the Company Entities subject to the terms and conditions of such plan and applicable law), the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act of 1988, or the Fair Labor Standards Act of 1938, in each case as amended; (ii) any claim under the California Fair Employment and Housing Act, the California Labor Code, the California Family Rights Act, or the California Pregnancy Disability Leave Law; (iii) any other claim (whether based on federal, state, or local law (statutory or decisional), rule, regulation or ordinance) relating to or arising out of your employment, the terms and conditions of such employment, the termination of such employment, including, but not limited to, breach of contract (express or implied), wrongful discharge, detrimental reliance, defamation, emotional distress or compensatory or punitive damages; and (iv) any claim for attorneys' fees, costs, disbursements and/or the like.

(c) Notwithstanding the foregoing, nothing in this Agreement shall be a waiver of claims: (1) that may arise after the date on which you sign this Agreement; (2) with respect to your right to enforce your rights that survive termination under the Employment Agreement (including, without limitation, the Internal Revenue Code Sections 280G and 409A indemnity provisions under the Employment Agreement) or any other written agreement entered into between you and the Company (including, without limitation, any equity grants or agreements); (3) regarding rights of indemnification, receipt of legal fees and directors and officers liability insurance to which you are entitled under the Employment Agreement, the Company's Certificate of Incorporation or By-laws, pursuant to any separate writing between you and the Company or pursuant to applicable law; (4) relating to any claims for accrued, vested benefits under any employee benefit plan or pension plan of the Company Entities subject to the terms and conditions of such plan and applicable law; or (5) as a stockholder or optionholder of the Company.

(d) In signing this Agreement, you acknowledge that you intend that this Agreement shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. You expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown, unsuspected or unanticipated Claims (notwithstanding any state statute that expressly limits the effectiveness of a general release of unknown, unsuspected or unanticipated Claims), if any, as well as those relating to any other claims hereinabove mentioned or implied. You acknowledge and agree that this waiver is an essential and material term of this Agreement, and if you bring your own Claim in which you seek damages against any Company Entity, or if you seek to recover against any Company Entity in any Claim brought by a governmental agency on your behalf, the release set forth in this Agreement shall serve as a complete defense to such Claims, and you shall reimburse each Company Entity for any attorneys' fees or expenses or other fees and expenses incurred in defending such Claim; provided, however, if a class action claim or governmental claim is brought on your behalf, your obligations will be limited to opting out of such action or other proceedings received in connection therewith to the Company, it being agreed that you shall not be liable to the Company for any attorneys' fees or expenses or other fees or expenses in the case of any such class action claim or governmental claim.

(e) This Agreement shall not affect your rights under the Older Workers Benefit Protection Act to have a judicial determination of the validity of this Agreement and does not purport to limit any right that you may have to file a charge under the Age Discrimination in Employment Act or other civil rights statute or to participate in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or other investigative agency. This Agreement does, however, waive and release any right to recover damages under the Age Discrimination in Employment Act or other civil rights statute.

(f) Without limiting the generality of the foregoing, you waive all rights under California Civil Code Section 1542, which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3. (a) This Agreement is not intended, and shall not be construed, as an admission that any of the Company Entities has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever against you.

(b) Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or constructing this Agreement shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.

4. For two years from and after the date of your employment termination, each of the undersigned agrees not to make any derogatory, negative or disparaging public statement about the other party hereto (or, as applicable, any other Company Entity, or members of your family) or to make any public statement (or any statement likely to become public) that could reasonably be expected to adversely affect or disparage the reputation, or, to the extent applicable, business or goodwill of any of the undersigned (i.e., the Company or any other Company Entity, on the one hand, or you or your family, on the other hand), it being agreed and understood that nothing herein shall prohibit any party (a) from disclosing that you are no longer employed by the Company, (b) from responding truthfully to any governmental investigation or inquiry related thereto, whether by the Securities and Exchange Commission or other governmental entity or any other law, subpoena, court order or other compulsory legal process or any disclosure requirement of the Securities and Exchange Commission, or (c) from making traditional competitive statements in the course of promoting a competing business, so long as any statements made by you described in this clause (c) are not based on confidential information obtained during the course of your employment with the Company.

5. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors, administrators, successors and assigns.

6. This Agreement shall be construed and enforced in accordance with the laws of the State of California applicable to agreements made and to be performed entirely within such State.

7. You acknowledge that your obligations pursuant to Sections 5 and 6 of the Employment Agreement survive the termination of your employment in accordance with the terms thereof. The Company acknowledges that its obligations under Sections 4 and 18 of the Employment Agreement survive the termination of your employment in accordance with the terms thereof.

8. You acknowledge that you: (a) have carefully read this Agreement in its entirety; (b) have had an opportunity to consider for at least twenty-one (21) days the terms of this Agreement; (c) are hereby advised by the Company in writing to consult with an attorney of your choice in connection with this Agreement; (d) fully understand the significance of all of the terms and conditions of this Agreement and have discussed them with your independent legal counsel, or have had a reasonable opportunity to do so; (e) have had answered to your satisfaction by your independent legal counsel any questions you have asked with regard to the meaning and significance of any of the provisions of this Agreement; and (f) are signing this Agreement voluntarily and of your own free will and agree to abide by all the terms and conditions contained herein.

9. You understand that you will have at least twenty-one (21) days from the date of receipt of this Agreement to consider the terms and conditions of this Agreement. You may accept this Agreement by signing it and returning it to the Company's General Counsel at the address specified pursuant to Section 12 of the Employment Agreement. After executing this Agreement, you shall have seven (7) days (the "Revocation Period") to revoke this Agreement by indicating your desire to do so in writing delivered to the Company's General Counsel at the address above by no later than 5:00 p.m. on the seventh (7th) day after the date you sign this Agreement. The effective date of this Agreement shall be the eighth (8th) day after you sign the Agreement (the "Agreement Effective Date"). If the last day of the Revocation Period falls on a Saturday, Sunday or holiday, the last day of the Revocation Period will be deemed to be the next business day. In the event you do not accept this Agreement as set forth above, or in the event you revoke this Agreement during the Revocation Period, this Agreement, including but not limited to the obligation of the Company to provide the payments and benefits provided in paragraph 1 above, shall be deemed automatically null and void.

EXECUTIVE

By:

Michael O. Johnson

HERBALIFE INTERNATIONAL OF AMERICA, INC.

By:

Name: ____________________

Title: ____________________

**Exhibit 10.51**

**FIRST AMENDMENT TO CREDIT AGREEMENT**

This FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of March 8, 2018 (this "Amendment") is by and among HLF Financing SaRL, LLC, a Delaware limited liability company (formerly known as HLF Financing S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), existing and organized under the laws of Luxembourg, having its registered office at 16, avenue de la Gare, L-1610 Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*R.C.S. Luxembourg*) under number B 211.373) ("Lux TL Borrower"), HLF Financing US, LLC, a Delaware limited liability company ("US TL Borrower" and, together with Lux TL Borrower, the "Term Loan Borrowers"), Herbalife Ltd., a Cayman Islands exempted company incorporated with limited liability ("Parent"), Herbalife International Luxembourg S.à R.L., a Luxembourg private limited liability company (*société à responsabilité limitée*), existing and organized under the laws of Luxembourg, having its registered office at 16, avenue de la Gare, L-1610 Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*R.C.S. Luxembourg*) under number B 88.006 ("HIL"), Herbalife International, Inc., a Nevada corporation ("HII" and, together with Parent and HIL, the "Revolver Borrowers"; the Revolver Borrowers, together with the Term Loan Borrowers, are referred to herein as the "Borrowers"), Credit Suisse AG, Cayman Islands Branch, as administrative agent for the Term Loan Lenders and collateral agent (in such capacities, the "Term Loan Administrative Agent"), and Coöperatieve Rabobank U.A., New York Branch, as administrative agent for the Revolving Credit Lenders (in such capacity, the "Revolver Administrative Agent" and, together with the Term Loan Administrative Agent, the "Administrative Agents").

Pursuant to Section 9.2(c) of the Credit Agreement, dated as of February 15, 2017 (as it may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among the Borrowers, each lender from time to time party thereto and the Administrative Agents, the Administrative Agents and Borrowers agree as follows:

**A. Amendments**. With effect as of the Closing Date:

(a) The definition of "Capital Stock" in Section 1.1 of the Credit Agreement is amended by deleting the reference to "including convertible securities (including the 2014 Convertible Notes) but excluding debt securities convertible or exchangeable into any of the foregoing" and replacing it with a reference to:

"but excluding debt securities convertible or exchangeable into any of the foregoing (including the 2014 Convertible Notes)"

(b) Clause (ii) of the definition of "Junior Debt" in Section 1.1 of the Credit Agreement is amended and restated to read in its entirety as follows:

"(ii) unsecured Indebtedness incurred pursuant to Section 6.2(f) and Section 6.2(z) and any Permitted Refinancings thereof,"

**B. Effectiveness**. Pursuant to Section 9.2(c) of the Credit Agreement, the Administrative Agents and the Borrowers, in their sole discretion and without the consent or approval of any other party, may amend, modify or supplement any provision of the Credit Agreement or any other Loan Document to cure any ambiguity, omission, mistake, error, defect or inconsistency (each, a "Section 9.2(c)

Modification") and such Section 9.2(c) Modification shall become effective without any further action or consent of any other party to any Loan Documents if the same is not objected to in writing by the Required Lenders within five Business Days following receipt of notice thereof. The purpose and effect of this Amendment is to effect a Section 9.2(c) Modification. Accordingly, this Amendment shall become effective on March 16, 2018 (which is the day following the date that is five Business Days following the date that this Amendment was provided to the Lenders) if the Required Lenders have not objected to this Amendment in writing on or prior to such date (the "Amendment Effective Date").

**C. Effect on the Credit Agreement and the Other Loan Documents**. Except as specifically amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed. The execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Agent or Lender under, the Credit Agreement or any of the other Loan Documents. On and after the Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by this Amendment.

**D. Applicable Law. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. EACH PARTY HERETO AGREES TO SECTION 9.9 OF THE CREDIT AGREEMENT (GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS) AND SECTION 9.10 OF THE CREDIT AGREEMENT (WAIVER OF JURY TRIAL) AS IF FULLY SET FORTH HEREIN.**

[Signature pages follow]

Consented to and agreed as of the date first set forth above:

**CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,**
as Term Administrative Agent

By: /s/Vipul Dhadda
Name: Vipul Dhadda
Title: Authorized Signatory

By: /s/Joan Park
Name: Joan Park
Title: Authorized Signatory

[*Signature Page – First Amendment*]

**COÖPERATIEVE RABOBANK U.A., NEW YORK BRANCH,** as Revolver Administrative Agent

By: /s/ Andre Baladi
Name: Andre Baladi
Title: Executive Director

By: /s/ Nader Pasdar
Name: Nader Pasdar
Title: Managing Director

Consented to and agreed as of the date first set forth above:

**HLF FINANCING SARL, LLC**,
as a Borrower

By: /s/ Eileen Uy
Name: Eileen Uy
Title: Manager

**HLF FINANCING US, LLC**,
as a Borrower

By: /s/ Eileen Uy
Name: Eileen Uy
Title: Manager

**HERBALIFE LTD.**,
as a Borrower

By: /s/ David Pezzullo
Name: David Pezzullo
Title: Chie Operating Officer

**HERBALIFE INTERNATIONAL LUXEMBOURG S.À R.L.**,
as a Borrower

By: /s/ Helene Dekhar
Name: Helene Dekhar
Title: Authorized Representative

**HERBALIFE INTERNATIONAL, INC.**,
as a Borrower

By: /s/ David Pezzullo
Name: David Pezzullo
Title: Chief Operating Officer

**Exhibit 10.52**

**CAPPED CALL PARTIAL UNWIND AGREEMENT**

**THIS CAPPED CALL PARTIAL UNWIND AGREEMENT** (this "**Agreement**") is made as of __________ between Herbalife Ltd. (the "**Company**") and _____________ ("**Dealer**").

**WHEREAS**, the Company and Dealer entered into Base and Additional Convertible Capped Call Transactions pursuant to ISDA confirmations, dated as of February 3, 2014 and February 7, 2014, respectively (as amended, modified, terminated or unwound from time to time, the "**Base Capped Call Confirmation**" and the "**Additional Capped Call Confirmation**", respectively and, together, the "**Capped Call Confirmations**"), relating to the 2.00% Convertible Senior Notes due 2019 issued by the Company (the "**Convertible Notes**");

**WHEREAS**, the Company and certain holders (each, a "**Holder**") of the Convertible Notes, have entered into privately negotiated transactions pursuant to which the Company has agreed as of the date hereof to repurchase from such Holders (the "**Repurchase**") an aggregate of $475,005,000 principal amount of Convertible Notes for cash with an expected settlement date of March 29, 2018;

**WHEREAS**, the Company has requested, and Dealer has agreed, to unwind the Base Capped Call Confirmation with respect to a portion of the Number of Options included therein (the "**Unwound Capped Calls**");

**NOW, THEREFORE**, in consideration of their mutual covenants herein contained, the parties hereto, intending to be legally bound, hereby mutually covenant and agree as follows:

1. Defined Terms. Any capitalized term not otherwise defined herein shall have the meaning set forth for such term in the Base Capped Call Confirmation.

2. Base Capped Call Partial Unwind. On the Settlement Date, irrespective of whether any or all of the Repurchase has been consummated, the paragraph opposite the caption "Number of Options" in the Base Capped Call Confirmation shall be amended and restated in its entirety as follows: "524,995. For the avoidance of doubt, (i) such number of Options reflects reductions for Options in respect of which a Notice of Exercise was received prior to the date of the Capped Call Partial Unwind Agreement, dated as of __________, between the parties, if any), and (ii) the Number of Options shall be reduced by each exercise of Options hereunder relating to a Notice of Exercise received by Dealer after ___________." The parties acknowledge and agree that the Unwound Capped Calls will be allocated solely to the Base Capped Call Confirmation so that the Number of Options under, and as defined in, the Additional Capped Call Confirmation will not be reduced in respect of the Repurchase. Effective as of the Settlement Date, all of the respective rights and obligations of the parties under the Base Capped Call Confirmation with respect to the 475,005 Options corresponding to the Unwound Capped Calls shall be terminated, cancelled and extinguished. In addition, the parties acknowledge and agree that the provisions of Section 8(a) of the Capped Call Confirmations shall not apply to the Unwound Capped Calls and that, notwithstanding anything to the contrary

in Section 8(d)(iii) of the Capped Call Confirmations, the Repurchase shall not constitute a Repayment Event for purposes of such Section 8(d)(iii).

3. Settlement.

(a) In consideration for the foregoing partial unwind, no later than 4:00 p.m. New York City time on the date one Settlement Cycle immediately following the last day of the Hedge Unwind Period (the "**Settlement Date**"), Dealer shall pay cash in USD to the Company in an amount equal to the aggregate of the Daily Cash Settlement Amounts for each of the Scheduled Trading Days during the Hedge Unwind Period; *provided* that, in lieu of paying the Daily Cash Settlement Amount for any applicable Scheduled Trading Day during the Hedge Unwind Period, Dealer shall deliver a number of Shares equal to the applicable Daily Share Settlement Amount to the Company on the Settlement Date in respect of each Scheduled Trading Day in respect of which the Company validly elects for settlement in Shares to apply in accordance with the requirements set forth in Section 3(b) below. Each of "**Hedge Unwind Period**", "**Daily Cash Settlement Amount**" and "**Daily Share Settlement Amount**" has the meaning assigned to such term in Exhibit A hereto.

(b) The Company may elect for the Daily Cash Settlement Amount for any Scheduled Trading Day during the Hedge Unwind Period to be settled in Shares by providing written notice to Dealer by 6:00 p.m. New York City time on the Scheduled Trading Day immediately preceding such Scheduled Trading Day, in which written notice the Company (i) specifies the Scheduled Trading Day in respect of which settlement in Shares shall apply and (ii) repeats the representations, warranties and acknowledgements set forth in Sections 5(c) and 5(e) below as of the date of such notice.

(c) For the avoidance of doubt, no additional amount shall be payable by either party pursuant to the Equity Definitions, the Capped Call Confirmations, the "Agreement" (as defined in the Base Capped Call Confirmation) or the "Agreement" (as defined in the Additional Capped Call Confirmation) in respect of the amendments to, and partial unwind of, the Base Capped Call Confirmation pursuant to Section 2 above.

(d) Notwithstanding anything to the contrary in this Agreement, if any Scheduled Trading Day during the Hedge Unwind Period is a Disrupted Day (as defined in the Base Capped Call Confirmation; *provided* that, for such purpose, a Disrupted Day solely due to a Regulatory Disruption shall be deemed not to be a Disrupted Day and shall be subject to the immediately following paragraph), the Calculation Agent shall determine whether (x) such Scheduled Trading Day is a Disrupted Day in full, in which case, no Daily VWAP Price, Daily Cash Settlement Amount or Daily Share Settlement Amount shall be determined in respect of such Scheduled Trading Day and such Scheduled Trading Day shall be deemed to not be included in the Hedge Unwind Period or (y) such Scheduled Trading Day is a Disrupted Day only in part, in which case the Daily VWAP Price (as defined in Exhibit A hereto) corresponding to such Scheduled Trading Day shall be the volume-weighted average price per Share on such Scheduled Trading Day on the Exchange, as determined by the Calculation Agent in a commercially reasonable manner based on such sources as it deems appropriate using a volume-weighted methodology, for the relevant portion of such Scheduled Trading Day as determined by the Calculation Agent in a commercially reasonable manner, and in each case the number of Scheduled Trading Days, the Daily Cash Settlement Amounts, the Daily Share Settlement Amounts and the Daily VWAP Prices related to the Hedge Unwind Period shall be adjusted by the Calculation Agent in a commercially reasonable manner to account for such disruption.

In addition, Dealer may postpone or add, in whole or, other than in the event Dealer determines in good faith that such postponement or addition resulted solely pursuant to the circumstances set forth in clause (ii)(y) below, in part, any Scheduled Trading Day during the Hedge Unwind Period (in which event the Calculation Agent shall make appropriate adjustments to the number of Scheduled Trading Days, the Daily Cash Settlement Amounts, the Daily Share Settlement Amounts and the Daily VWAP Prices related to the Hedge Unwind Period) if Dealer determines, based on the advice of counsel in the case of the immediately following clause (ii), that such extension is reasonably necessary or appropriate (i) to preserve Dealer's commercially reasonable hedging or hedge unwind activity hereunder in light of existing liquidity conditions or (ii) to enable Dealer to effect transactions with respect to Shares in connection with its commercially reasonable hedging, hedge unwind or settlement activity hereunder in a manner that would, if Dealer were Company or an affiliated purchaser of Company, be in compliance with (x) applicable legal, regulatory or self-regulatory requirements, or (y) with related policies and procedures applicable to Dealer. Upon any such occurrence, Dealer shall use its reasonable efforts to notify the Company in writing that such an extension event has occurred on such Scheduled Trading Day or Days (for the avoidance of doubt, without being required to specify or otherwise communicate to Company the nature of such event).

4. Representations and Warranties of the Parties. Each party hereto re-makes, as of the date hereof, the representations and warranties contained in Section 3(a) of the "Agreement" (as such term is defined in the Base Capped Call Confirmation) as if such representations and warranties applied to this Agreement.

5. Representations, Warranties, Agreements and Acknowledgements of the Company.

(a) The Company agrees that, on each day during the Hedge Unwind Period, the Shares and any securities that are convertible into, or exchangeable or exercisable for, Shares shall not be subject to a "restricted period," as such term is defined in Regulation M under the Exchange Act and that the Company shall not engage in any "distribution," as such term is defined in Regulation M under the Exchange Act, other than a distribution meeting the requirements of the exceptions set forth in sections 101(b)(10) and 102(b)(7) of Regulation M under the Exchange Act, until the second Exchange Business Day immediately following the last day of the Hedge Unwind Period.

(b) The Company agrees that, on each Scheduled Trading Day during the Hedge Unwind Period, neither the Company nor any "affiliated purchaser" (as defined in Rule 10b-18 of the Exchange Act) shall directly or indirectly (including, without limitation, by means of any cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable or exercisable for Shares (but excluding convertible debt); *provided* that this Section 5(b) shall not limit the Company's ability (or the ability of any "affiliate" or "affiliated purchaser" of the Company), (i) pursuant to its employee incentive plans, to re-acquire Shares in connection with the related equity transactions; (ii) to withhold shares to cover exercise price and/or tax liabilities associated with such equity transactions; or (iii) to grant Shares and options to "affiliates" or "affiliated purchasers" (as defined in Rule 10b-18) or the ability of such affiliates or affiliated purchasers to acquire such Shares or options, in connection with the Company's compensatory plans for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of the Company, so long as, in the case of clause (i), (ii) or (iii) of this proviso, any such re-acquisition, withholding, grant, acquisition or other purchase does not constitute a "Rule 10b-18 Purchase" (as defined in Rule 10b-18) and (b) the Company or such "affiliate" or "affiliated purchaser" may purchase Shares in privately negotiated (off-market) transactions that do not, directly or indirectly, involve purchases on any securities exchange and are not "Rule 10b-18 purchases" (as defined in Rule 10b-18), in each case without Dealer's consent.

(c) The Company is entering into this Agreement (and, in respect of any election pursuant to Section 3(b), is making such election) in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act ("**Rule 10b5-1**") or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws.

(d) [*Reserved*.]

(e) The Company represents and warrants on the date hereof and on each date on which it makes an election pursuant to Section 3(b) that it is not in possession of any material non-public information regarding the Company or the Shares.

(f) The Company represents and warrants on the date hereof that the Company (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing; and (C) has total assets of at least $50 million.

(g) The Company represents and warrants on the date hereof that the Company is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for the Shares) or to raise or depress or otherwise manipulate the price of the Shares (or any security convertible into or exchangeable for the Shares).

(h) On each of the date hereof and the Settlement Date, the Company is not, or will not be, "insolvent" (as such term is defined under Section 101(32) of the Bankruptcy Code).

(i) The Company is not, and after giving effect to the transactions contemplated hereby will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(j) The Company acknowledges and agrees that, immediately after Dealer pays the aggregate Daily Cash Settlement Amounts and/or delivers the aggregate Daily Share Settlement Amounts (as applicable) on the Settlement Date, the Convertible Notes subject to the Repurchase (for the avoidance of doubt, whether or not any or all of such Repurchase is consummated) will be disregarded and deemed to be cancelled and no longer outstanding for all purposes under the Capped Call Confirmations (including for the calculation of any amount in respect of any termination of the Base Capped Call Confirmation under the "Agreement" (as defined in the Base Capped Call Confirmation), the Equity Definitions or otherwise).

6. Block Purchases. The Company agrees that prior to the date hereof it has notified Dealer of the total number of Shares, if any, purchased by or for the Company or any of its affiliated purchasers in Rule 10b-18 purchases of blocks (all as defined in Rule 10b-18 under the Exchange Act) pursuant to the once-a-week block exception set forth in Rule 10b-18(b)(4) during the four full calendar weeks immediately preceding the date hereof.

7. Agreements and Acknowledgements Regarding Hedge Unwind. The Company understands, acknowledges and agrees that: (A) at any time during the Hedge Unwind Period, Dealer and its affiliates or agents may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the Transaction and this Agreement; (B) Dealer and its affiliates or agents also may be active in the market for Shares other than in connection with hedging activities in relation to the Transaction and this Agreement; (C) Dealer shall make its own determination as to whether, when or in what manner any hedging or market activities in securities of Issuer shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to the Transaction and this Agreement; and (D) any market activities of Dealer and its affiliates or agents with respect to Shares may affect the market price and volatility of Shares, as well as any Daily VWAP Price, each in a manner that may be adverse to the Company.

8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine).

9. No Other Changes. Except as expressly set forth herein, all of the terms and conditions of the Capped Call Confirmations shall remain in full force and effect and are hereby confirmed in all respects.

10. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all of the signatures thereto and hereto were upon the same instrument.

11. No Reliance, etc. The Company hereby confirms that it has relied on the advice of its own counsel and other advisors (to the extent it deems appropriate) with respect to any legal, tax, accounting, or regulatory consequences of this Agreement, that it has not relied on Dealer or its affiliates or agents in any respect in connection therewith, and that it will not hold Dealer or its affiliates accountable for any such consequences.

12. Adjustment of Unwound Capped Calls. The parties agree that the Unwound Capped Calls shall remain subject to adjustment pursuant to the terms of the Base Capped Call Confirmation during the Hedge Unwind Period, except that the sole terms of the Unwound Capped Calls that may be adjusted in connection with the relevant adjustment event shall be any applicable “Daily Cash Settlement Amount”, and any such adjustments shall be made in order to account for the economic effect of such adjustment event on the unwind contemplated by this Agreement, as determined in good faith and in a commercially reasonable manner by the Calculation Agent.

13. Designation by Dealer. Notwithstanding any other provision in this Agreement to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities to or from the Company, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such shares or other securities and otherwise to perform Dealer obligations in respect of the transactions contemplated by this Agreement and any such designee may assume such obligations. Dealer shall be discharged of its obligations to the Company to the extent of any such performance.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties have executed this AGREEMENT the day and the year first above written.

**COUNTERPARTY**

**HERBALIFE LTD.**

By: ______________________________
Title:

**DEALER**

**[*DEALER*]**

By: __________________________________

Name:

Title:

**EXHIBIT A**

| Daily VWAP Price | Daily Cash Settlement Amount per Share |
|---|---|
| | |

"**Daily Cash Settlement Amount**" means, for any Scheduled Trading Day during the Hedge Unwind Period, the product of (i) the amount of cash in USD set forth above opposite the applicable Daily VWAP Price for such Scheduled Trading Day, (ii) the number of Unwound Capped Calls divided by the number of Scheduled Trading Days during the Hedge Unwind Period and (iii) the Number of Shares per Option, subject to adjustment pursuant to this Agreement and the Base Capped Call Confirmation. If the Daily VWAP Price for such Scheduled Trading Day is not specified on the grid above, the Daily Cash Settlement Amount shall be determined by the Calculation Agent based on a straight-line interpolation between the Daily VWAP Prices or extrapolation from the Daily VWAP Prices (as the case may be) specified on the grid above.

"**Daily Share Settlement Amount**" means, for any Scheduled Trading Day during the Hedge Unwind Period, the number of Shares equal to (i) the Daily Cash Settlement Amount for such Scheduled Trading Day divided by (ii) the Daily VWAP Price for such Scheduled Trading Day, subject to adjustment pursuant to this Agreement and the Base Capped Call Confirmation.

"**Daily VWAP Price**" for any Exchange Business Day means the per Share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on Bloomberg page "HLF <equity> AQR" (or any successor thereto) at 4:15 p.m. (New York City time) (or 15 minutes following the end of any extension of the regular trading session) on such Exchange Business Day (or if such volume-weighted average price is unavailable, the market value of one Share on such Exchange Business Day, as determined by the Calculation Agent using a volume-weighted method), subject to adjustment pursuant to this Agreement and the Base Capped Call Confirmation.

"**Hedge Unwind Period**" means the ___ Scheduled Trading Day period commencing on and including _________, subject to Section 3(d) of this Agreement and the Base Capped Call Confirmation.

"**Number of Shares per Option**" means the product of (i) the Option Entitlement and (ii) the Applicable Percentage.

**Exhibit 31.1**

**RULE 13a-14(a) CERTIFICATION**

I, Richard P. Goudis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Herbalife Nutrition Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RICHARD P. GOUDIS
Richard P. Goudis
*Chief Executive Officer*

Dated: May 3, 2018

**Exhibit 31.2**

**RULE 13a-14(a) CERTIFICATION**

I, Bosco Chiu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Herbalife Nutrition Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BOSCO CHIU
Bosco Chiu
*Executive Vice President, Chief Financial Officer*

Dated: May 3, 2018

**Exhibit 32.1**

**CERTIFICATION**
**Pursuant to 18 U.S.C. Section 1350**
**Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Herbalife Nutrition Ltd., or the Company, on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof, or the Report, and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of the Company certify that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD P. GOUDIS
Richard P. Goudis
*Chief Executive Officer*

Dated: May 3, 2018

/s/ BOSCO CHIU
Bosco Chiu
*Executive Vice President, Chief Financial Officer*

Dated: May 3, 2018

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