

HERBALIFE LTD.  
Form 10-Q/A  
December 16, 2013  
[Table of Contents](#)

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

**Form 10-Q/A**  
**Amendment No. 1**

**(Mark One)**

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

**For the quarterly period ended June 30, 2013**

**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 LTD.**

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

**Cayman Islands**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**98-0377871**  
**(I.R.S. Employer**  
**Identification No.)**

**P.O. Box 309GT**

**Ugland House, South Church Street**

**Grand Cayman, Cayman Islands**

**(Address of principal executive offices) (Zip code)**

**(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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 December 11, 2013 was 101,010,427.



**Table of Contents**

**HERBALIFE LTD.**

**PART I. FINANCIAL INFORMATION**

Item 1. <u>Financial Statements</u>	4
<u>Unaudited Condensed Consolidated Balance Sheets</u>	4
<u>Unaudited Condensed Consolidated Statements of Income</u>	5
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>	6
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	7
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8

**PART II. OTHER INFORMATION**

Item 6. <u>Exhibits</u>	22
<u>Signatures and Certifications</u>	26

**Table of Contents**

**EXPLANATORY NOTE**

On July 29, 2013, Herbalife Ltd., or the Company, filed its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013, or the Original 10-Q. However, as previously disclosed in the Original 10-Q, because of the resignation of KPMG LLP as the Company's independent registered public accounting firm described in greater detail in the Explanatory Note to Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012, filed with the SEC on December 16, 2013, or the 2012 10-K/A, the unaudited interim financial information presented in the Original 10-Q was not subject to a Statement of Auditing Standards No. 100, or SAS 100, review by an outside independent registered public accounting firm as required by the rules of the Securities and Exchange Commission, or the SEC, and the Original 10-Q was therefore considered deficient. On May 21, 2013, the Audit Committee of the Company's Board of Directors engaged PricewaterhouseCoopers LLP, or PwC, to serve as the Company's new independent registered public accounting firm. Additional information with respect to the selection of PwC is disclosed in the Explanatory Note to the 2012 10-K/A.

This Amendment No. 1 on Form 10-Q/A to the Original 10-Q, or this Amendment, is being filed to disclose that PwC has completed its SAS 100 review of the unaudited interim financial information presented in the Original 10-Q. In addition, the Company has updated Note 2, *Significant Accounting Policies*, to reflect the engagement of PwC, the completion of the re-audits noted in the Explanatory Note to the 2012 10-K/A, and the completion of the SAS 100 review for the interim periods covered by this Amendment. As a result, the Company's consolidated financial statements and notes thereto set forth in Part I, Item 1 of the Original 10-Q are hereby updated and superseded to reflect the foregoing. In connection with the filing of this Amendment and pursuant to SEC Exchange Act Rule 12b-15, the Company is filing as exhibits to this Amendment new certifications of the Company's principal executive officer and principal financial officer under Part II, Item 6 hereof in respect of the periods covered by the Amendment. In addition, the Company is filing as exhibit 101 to this Amendment the amended and restated financial statements and related notes formatted in XBRL (eXtensible Business Reporting Language) under Part II, Item 6 hereof to reflect the revisions to the Company's financial statements described above.

Other than those changes outlined above, there are no changes to the Original 10-Q and this Amendment does not change the other disclosures contained in the Original 10-Q. In addition, except as specifically described above, this Amendment does not reflect events occurring after the filing of the Original 10-Q, nor does it modify or update disclosures therein in any way other than as required to reflect the revisions described above. Among other things, forward-looking statements made in the Original 10-Q have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Original 10-Q, and such forward looking statements should be read in their historical context.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HERBALIFE LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	June 30, 2013	December 31, 2012
	(In thousands, except share and par value amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 849,703	\$ 333,534
Receivables, net of allowance for doubtful accounts of \$2,147 (2013) and \$2,273 (2012)	110,790	116,139
Inventories	331,529	339,411
Prepaid expenses and other current assets	160,444	145,624
Deferred income taxes	51,499	49,339
Total current assets	1,503,965	984,047
Property, at cost, net of accumulated depreciation and amortization of \$289,266 (2013) and \$255,862 (2012)	255,206	242,886
Deferred compensation plan assets	24,934	24,267
Deferred financing costs, net	6,165	7,462
Other assets	47,250	48,805
Marketing related intangibles and other intangible assets, net	310,993	311,186
Goodwill	105,490	105,490
Total assets	\$ 2,254,003	\$ 1,724,143
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 77,535	\$ 75,209
Royalty overrides	235,994	243,351
Accrued compensation	82,113	95,220
Accrued expenses	227,468	181,523
Current portion of long-term debt	68,819	56,302
Advance sales deposits	51,574	49,432
Income taxes payable	48,751	61,325
Total current liabilities	792,254	762,362

## NON-CURRENT LIABILITIES:

Long-term debt, net of current portion	893,767	431,305
Deferred compensation plan liability	32,981	29,454
Deferred income taxes	60,033	62,982
Other non-current liabilities	41,349	42,557
Total liabilities	1,820,384	1,328,660

## CONTINGENCIES

## SHAREHOLDERS' EQUITY:

Common shares, \$0.001 par value; 1.0 billion shares authorized; 103.0 million (2013) and 106.9 million (2012) shares outstanding	103	107
Paid-in-capital in excess of par value	305,742	303,975
Accumulated other comprehensive loss	(44,283)	(31,695)
Retained earnings	172,057	123,096
Total shareholders' equity	433,619	395,483
Total liabilities and shareholders' equity	\$ 2,254,003	\$ 1,724,143

See the accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**HERBALIFE LTD. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(In thousands, except per share amounts)</b>			
Product sales	\$ 1,055,036	\$ 883,068	\$ 2,006,619	\$ 1,704,714
Shipping & handling revenues	164,203	148,880	336,267	291,409
Net sales	1,219,239	1,031,948	2,342,886	1,996,123
Cost of sales	247,224	203,737	473,201	399,881
Gross profit	972,015	828,211	1,869,685	1,596,242
Royalty overrides	379,551	335,195	743,580	652,728
Selling, general & administrative expenses	400,107	306,310	764,827	602,703
Operating income	192,357	186,706	361,278	340,811
Interest expense, net	5,559	3,169	10,932	4,542
Income before income taxes	186,798	183,537	350,346	336,269
Income taxes	43,636	51,586	88,311	96,387
NET INCOME	\$ 143,162	\$ 131,951	\$ 262,035	\$ 239,882
Earnings per share:				
Basic	\$ 1.39	\$ 1.13	\$ 2.53	\$ 2.06
Diluted	\$ 1.34	\$ 1.09	\$ 2.44	\$ 1.96
Weighted average shares outstanding:				
Basic	102,993	116,557	103,551	116,376
Diluted	107,083	121,482	107,589	122,182
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60

See the accompanying notes to unaudited condensed consolidated financial statements.



**Table of Contents****HERBALIFE LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>(In thousands)</b>			
Net income	\$ 143,162	\$ 131,951	\$ 262,035	\$ 239,882
Other comprehensive income:				
Foreign currency translation adjustment, net of income taxes of \$(1,506) and \$(3,829) for the three months ended June 30, 2013 and 2012, respectively, and \$(1,811) and \$(2,072) for the six months ended June 30, 2013 and 2012, respectively	(9,247)	(15,143)	(17,931)	(3,924)
Unrealized gain (loss) on derivatives, net of income taxes of \$2,211 and \$302 for the three months ended June 30, 2013 and 2012, respectively, and \$1,704 and \$(339) for the six months ended June 30, 2013 and 2012, respectively	6,675	528	5,343	(1,194)
Total other comprehensive income (loss)	(2,572)	(14,615)	(12,588)	(5,118)
Total comprehensive income (loss)	\$ 140,590	\$ 117,336	\$ 249,447	\$ 234,764

See the accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents****HERBALIFE LTD. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Six Months Ended	
	June 30, 2013	June 30, 2012
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 262,035	\$ 239,882
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42,310	36,613
Excess tax benefits from share-based payment arrangements	(15)	(27,212)
Share-based compensation expenses	15,253	12,497
Amortization of deferred financing costs	1,295	572
Deferred income taxes	(7,939)	(8,476)
Unrealized foreign exchange transaction (gain) loss	(44)	(4,909)
Foreign exchange loss from Venezuela currency devaluation	15,116	
Other	(674)	120
Changes in operating assets and liabilities:		
Receivables	(312)	(21,317)
Inventories	(3,646)	(14,476)
Prepaid expenses and other current assets	(13,150)	(9,367)
Other assets	(534)	(3,124)
Accounts payable	4,586	22,948
Royalty overrides	(2,051)	7,932
Accrued expenses and accrued compensation	43,761	(3,516)
Advance sales deposits	4,481	5,199
Income taxes	(12,546)	20,661
Deferred compensation plan liability	3,527	3,416
NET CASH PROVIDED BY OPERATING ACTIVITIES	351,453	257,443
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(56,048)	(39,719)
Proceeds from sale of property, plant and equipment	33	43
Deferred compensation plan assets		(2,609)
NET CASH USED IN INVESTING ACTIVITIES	(56,015)	(42,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(61,823)	(70,310)
Borrowings from long-term debt	513,227	806,560
Principal payments on long-term debt	(38,250)	(454,371)

Share repurchases	(165,726)	(505,636)
Excess tax benefits from share-based payment arrangements	15	27,212
Proceeds from exercise of stock options and sale of stock under employee stock purchase plan	971	10,356
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	248,414	(186,189)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(27,683)	(1,578)
NET CHANGE IN CASH AND CASH EQUIVALENTS	516,169	27,391
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	333,534	258,775
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 849,703	\$ 286,166
CASH PAID DURING THE PERIOD		
Interest paid	\$ 12,004	\$ 5,884
Income taxes paid	\$ 117,120	\$ 86,214

See the accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**HERBALIFE LTD. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Organization**

Herbalife Ltd., a Cayman Islands exempt limited liability company, or Herbalife, was incorporated on April 4, 2002. Herbalife Ltd. (and together with its subsidiaries, the Company) is a leading global nutrition company that sells weight management products, nutritional supplements, energy, sports & fitness products and personal care products utilizing network marketing distribution. As of June 30, 2013, the Company sold its products to and through a network of 3.4 million independent distributors, which included 0.2 million in China. In China, the Company currently sells its products through retail stores, sales representatives, sales officers and independent service providers. The Company reports revenue 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 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 at December 31, 2012 was derived from the audited financial statements at that date included in Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2012, or the 10-K Amendment, which reflects the revisions discussed below, 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 June 30, 2013, and for the three and six months ended June 30, 2013 and 2012, include Herbalife and all of its direct and indirect subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's unaudited condensed consolidated financial statements as of June 30, 2013, and for the three and six months ended June 30, 2013 and 2012. 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, 2012, as amended by the 10-K Amendment, or the 2012 10-K. Operating results for the three and six months ended June 30, 2013, are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

*New Accounting Pronouncements*

In February 2013, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)*. This ASU addresses the recognition, measurement, and disclosure of certain obligations resulting from joint and several arrangements including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The ASU is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force)*. This ASU addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the Emerging Issues Task Force)*. This ASU addresses when unrecognized tax benefits should be presented as reductions to deferred tax assets for net operating loss carryforwards in the financial statements. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

#### *Revision of Prior Period Financial Statements*

During the quarter ended June 30, 2013, in connection with preparing the interim financial information presented in the Original 10-Q, prior period errors were identified which affected the interim period ended June 30, 2013, and the annual periods ended December 31, 2012, 2011 and 2010, including the applicable interim periods therein. These income tax errors primarily relate to income tax

**Table of Contents**

expenses calculated on intercompany inventory transactions and the Company's application of ASC 740-10-25-3(e) and ASC 810-10-45-8. As a result of its misapplication of these accounting standards, the Company's income tax expenses and net income within its consolidated statement of income were misstated. There were also certain amounts within the Company's other consolidated financial statements that were misstated. The Company has reflected the correction of these identified prior period errors in the periods in which they originated.

In evaluating whether the Company's previously issued consolidated financial statements were materially misstated, the Company considered the guidance in ASC Topic 250, *Accounting Changes and Error Corrections*, ASC Topic 250-10-S99-1, *Assessing Materiality*, and ASC Topic 250-10-S99-2, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. The Company concluded that these errors were not material, individually or in the aggregate, to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. If the entire correction was recorded in the second quarter of 2013, it is expected that the cumulative amount would not be material for the fiscal year ending December 31, 2013. As such, this cumulative amount could be recorded as an out of period adjustment. However, because the Company was amending its Annual Report on Form 10-K for the fiscal year ended December 31, 2012 due to its predecessor auditors withdrawing their opinions, was amending the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013, or the Q1 10-Q, is amending the original Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 pursuant to this Amendment, and will amend its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013, which 10-Qs were deficient due to the absence of a SAS 100 review, the Company has decided to revise its applicable prior period financial statements in the 10-K Amendment and the amendment to the Q1 10-Q so that the financial statements included therein do not include these income tax errors. The Company believes this approach is more beneficial to investors due to the Company's unusual facts and circumstances surrounding its predecessor auditors resigning and withdrawing their audit opinions and the Company being required to file amendments to its Annual Report on Form 10-K and Quarterly Report on Form 10-Q referenced above. As such, the revisions for these corrections are reflected herein and will be reflected in the financial information of the applicable prior periods and will be reflected in future filings containing such financial information.

The effects of these prior period errors in the consolidated financial statements are as follows:

**Condensed Consolidated Balance Sheets**

	<b>December 31, 2012</b>	
	<b>As Previously</b>	<b>As Adjusted</b>
	<b>Reported</b>	<b>(In thousands)</b>
Prepaid expenses and other current assets	\$ 125,425	\$ 145,624
Total current assets	\$ 963,848	\$ 984,047
Total assets	\$ 1,703,944	\$ 1,724,143
Income taxes payable	\$ 15,854	\$ 61,325
Total current liabilities	\$ 716,891	\$ 762,362
Total liabilities	\$ 1,283,189	\$ 1,328,660
Retained earnings	\$ 148,368	\$ 123,096
Total shareholders' equity	\$ 420,755	\$ 395,483
Total liabilities and shareholders' equity	\$ 1,703,944	\$ 1,724,143

**Condensed Consolidated Statements of Income**

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	As Previously		As Previously	
	Reported	As Adjusted	Reported	As Adjusted
	(In thousands, except per share amount)			
Income taxes	\$ 50,169	\$ 51,586	\$ 94,739	\$ 96,387
Net Income	\$ 133,368	\$ 131,951	\$ 241,530	\$ 239,882
Basic earnings per share	\$ 1.14	\$ 1.13	\$ 2.08	\$ 2.06
Diluted earnings per share	\$ 1.10	\$ 1.09	\$ 1.98	\$ 1.96

**Table of Contents****Condensed Consolidated Statements of Comprehensive Income**

	<b>Three Months Ended June 30, 2012</b>		<b>Six Months Ended June 30, 2012</b>	
	<b>As Previously Reported</b>	<b>As Adjusted</b>	<b>As Previously Reported</b>	<b>As Adjusted</b>
	<b>(In thousands, except per share amount)</b>			
Net Income	\$ 133,368	\$ 131,951	\$ 241,530	\$ 239,882
Total comprehensive income	\$ 118,753	\$ 117,336	\$ 236,412	\$ 234,764

**Condensed Consolidated Statement of Cash Flows**

	<b>Six Months Ended June 30, 2012</b>	
	<b>As Previously Reported</b>	<b>As Adjusted</b>
	<b>(In thousands)</b>	
Net Income	\$ 241,530	\$ 239,882
Deferred income taxes	\$ (4,896)	\$ (8,476)
Income taxes	\$ 15,433	\$ 20,661

*Venezuela*

Currency restrictions enacted by the Venezuelan government have become more restrictive and have impacted the ability of the Company's subsidiary in Venezuela, Herbalife Venezuela, to timely obtain U.S. dollars in exchange for Venezuelan Bolívars, or Bolívars, at the official foreign exchange rate from the Venezuelan government and its foreign exchange commission, CADIVI. The application and approval process continue to be delayed and the Company's ability to timely obtain U.S. dollars at the official exchange rate remains uncertain. In recent instances, the Company has been unsuccessful in obtaining U.S. dollars at the official rate and it remains uncertain whether the Company's current pending applications and future anticipated applications will be approved.

In February 2013, the Venezuela government announced that it devalued its Bolívar currency and will eliminate the SITME regulated system. The SITME 5.3 Bolívars per U.S. dollar rate was eliminated and the CADIVI rate has been devalued from 4.3 Bolívars to 6.3 Bolívars per U.S. dollar. This new CADIVI rate is approximately 16% less favorable than the previously published 5.3 SITME rate. The Company recognized approximately \$15.1 million of net foreign exchange losses within its condensed consolidated statement of income during the first quarter of 2013, as a result of remeasuring the Company's Bolívar denominated monetary assets and liabilities at this new CADIVI rate of 6.3 Bolívars per U.S. dollar. The majority of these foreign exchange losses related to the approximately \$16.9 million devaluation of Herbalife Venezuela's Bolívar denominated cash and cash equivalents. In March 2013, the Venezuelan government also announced they will introduce an additional complimentary exchange mechanism known as SICAD. It is currently unknown whether Herbalife Venezuela will be able to access this new exchange mechanism and the Company is currently assessing and monitoring the restrictions and exchange rates relating to this alternative mechanism.

During the six months ended June 30, 2013, the Company also recognized \$0.7 million of foreign exchange losses as a result of exchanging Bolívars for U.S. dollars using alternative legal exchange mechanisms that were approximately



75% less favorable than the new CADIVI rate. During the six months ended June 30, 2013, the Company exchanged 5.6 million Bolivars for \$0.2 million U.S. dollars using these alternative legal exchange mechanisms. The Company did not exchange Bolivars for U.S. dollars using these alternative legal exchange mechanisms during the three months ended June 30, 2013. As of June 30, 2013, Herbalife Venezuela's net monetary assets and liabilities denominated in Bolivars were approximately \$112.7 million, and included approximately \$124.6 million in Bolivar denominated cash and cash equivalents. These Bolivar denominated assets and liabilities were remeasured at the CADIVI rate. The Company remeasures its Bolivars at the official published CADIVI rate given the limited availability of alternative exchange mechanisms and the uncertainty in the effective exchange rate for alternative exchange mechanisms. These remeasured amounts, including cash and cash equivalents, being reported on the Company's condensed consolidated balance sheet using the published CADIVI rate may not accurately represent the amount of U.S. dollars that the Company could ultimately realize. While the Company continues to monitor the exchange mechanisms and restrictions under CADIVI, and assess and monitor the current economic and political environment in Venezuela, there is no assurance that the Company will be able to exchange Bolivars into U.S. dollars on a timely basis. Herbalife Venezuela's net sales represented approximately 4% and 3% of the Company's consolidated net sales for the six months ended June 30, 2013 and 2012, respectively, and its total assets represented approximately 7% of the Company's consolidated total assets for both June 30, 2013 and December 31, 2012. As of June 30, 2013 and December 31, 2012, the majority of its total assets consisted of Bolivar denominated cash and cash equivalents.

See the Company's 2012 10-K for further information on Herbalife Venezuela and Venezuela's highly inflationary economy.

**Table of Contents****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) or market. The following are the major classes of inventory:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(In millions)</b>	
Raw materials	\$ 23.3	\$ 19.6
Work in process	1.7	1.9
Finished goods	306.5	317.9
Total	\$ 331.5	\$ 339.4

**4. Long-Term Debt**

Long-term debt consists of the following:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(In millions)</b>	
Borrowings under the senior secured credit facility	\$ 962.5	\$ 487.5
Capital leases	0.1	0.1
Total	962.6	487.6
Less: current portion	68.8	56.3
Long-term portion	\$ 893.8	\$ 431.3

On March 9, 2011, the Company entered into a \$700.0 million senior secured revolving credit facility, or the Credit Facility, with a syndicate of financial institutions as lenders and terminated its prior senior secured credit facility, or the Prior Credit Facility. The Credit Facility has a five year maturity and expires on March 9, 2016. Based on the Company's consolidated leverage ratio, U.S. dollar borrowings under the Credit Facility bear interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50%. The base rate under the Credit Facility represents the highest of the Federal Funds Rate plus 0.50%, one-month LIBOR plus 1.00%, and the prime rate offered by Bank of America. The Company, based on its consolidated leverage ratio, pays a commitment fee between 0.25% and 0.50% per annum on the unused portion of the Credit Facility. The Credit Facility also permits the Company to borrow limited amounts in Mexican Peso and Euro currencies based on variable rates.

In March 2011, the Company used \$196.0 million in U.S. dollar borrowings under the Credit Facility to repay all amounts outstanding under the Prior Credit Facility. The Company incurred approximately \$5.7 million of debt issuance costs in connection with the Credit Facility. These debt issuance costs were recorded as deferred financing costs on the Company's consolidated balance sheet and are being amortized over the term of the Credit Facility.

On July 26, 2012, the Company amended the Credit Facility to include a \$500.0 million term loan with a syndicate of financial institutions as lenders, or the Term Loan. The Term Loan is a part of the Credit Facility and is in addition to the Company's current revolving credit facility. The Term Loan matures on March 9, 2016. The Company will make regular scheduled payments for the Term Loan consisting of both principal and interest components. Based on the Company's consolidated leverage ratio, the Term Loan bears interest at either LIBOR plus the applicable margin between 1.50% and 2.50% or the base rate plus the applicable margin between 0.50% and 1.50% which are the same terms as the Company's revolving credit facility.

In July 2012, the Company used all \$500.0 million of the borrowings under the Term Loan to pay down amounts outstanding under the Company's revolving credit facility. The Company incurred approximately \$4.5 million of debt issuance costs in connection with the Term Loan. The debt issuance costs are recorded as deferred financing costs on the Company's consolidated balance sheet and will be amortized over the life of the Term Loan. On June 30, 2013 and December 31, 2012, the weighted average interest rate for borrowings under the Credit Facility, including borrowings under the Term Loan, was 2.20% and 1.96%, respectively.

The Credit Facility requires the Company to comply with a leverage ratio and a coverage ratio. In addition, the Credit Facility contains customary 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. As of June 30, 2013 and December 31, 2012, the Company was compliant with its debt covenants under the Credit Facility. The fair value of the outstanding borrowings on the Company's revolving credit facility and Term Loan approximated their carrying values as of June 30, 2013, due to their variable interest rates which reprice frequently and represent floating market rates. The fair value of the outstanding borrowings on the Company's revolving credit facility and Term Loan are determined by utilizing Level 2 inputs as defined in Note 12, *Fair Value Measurements*, such as observable market interest rates and yield curves.

---

**Table of Contents**

During the three months ended March 31, 2013, the Company borrowed an aggregate amount of \$513.0 million and paid a total amount of \$25.5 million under the Credit Facility. During the three months ended June 30, 2013, the Company paid a total amount of \$12.5 million under the Credit Facility. The Company did not make any borrowings under the Credit Facility during the three months ended June 30, 2013. As of June 30, 2013 and December 31, 2012, the U.S. dollar amount outstanding under the Credit Facility was \$962.5 million and \$487.5 million, respectively. Of the \$962.5 million U.S. dollar amount outstanding under the Credit Facility as of June 30, 2013, \$462.5 million was outstanding on the Term Loan and \$500.0 million was outstanding on the revolving credit facility. Of the \$487.5 million U.S. dollar amount outstanding under the Credit Facility as of December 31, 2012, \$487.5 million was outstanding on the Term Loan and no amounts were outstanding on the revolving credit facility. There were no outstanding foreign currency borrowings as of June 30, 2013 and December 31, 2012 under the Credit Facility.

As of June 30, 2013, the aggregate annual maturities of the Credit Facility were expected to be \$31.3 million for 2013, \$81.2 million for 2014, \$100.0 million for 2015, and \$750.0 million for 2016.

Interest expense was \$7.5 million and \$4.5 million for the three months ended June 30, 2013 and 2012, respectively, and \$14.3 million and \$7.3 million for the six months ended June 30, 2013 and 2012, respectively.

**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.

As a marketer of dietary and nutritional supplements, and other products that are ingested by consumers or applied to their bodies, the Company has been and is currently subjected to various product liability claims. The effects of these claims to date have not been material to the Company, and the reasonably possible range of exposure on currently existing claims is not material to the Company. The Company believes that it has meritorious defenses to the allegations contained in the lawsuits. The Company currently maintains product liability insurance with an annual deductible of \$10 million.

Certain of the Company's subsidiaries have been subject to tax audits by governmental authorities in their respective countries. In certain of these tax audits, governmental authorities are proposing that significant amounts of additional taxes and related interest and penalties are due. The Company and its tax advisors believe that there are substantial defenses to governmental allegations that additional taxes are owed, and the Company is vigorously contesting the additional proposed taxes and related charges. On May 7, 2010, the Company received an assessment from the Mexican Tax Administration Service in an amount equivalent to approximately \$89 million, translated at the period ended spot rate, for various items, the majority of which was Value Added Tax, or 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 Mexican Tax Administration Service filed a response which was received by the Company in April 2012. The response challenged the assertions that the Company made in its August 2011 filing. Litigation in this case is currently ongoing.

Prior to the nullification of the Mexican Tax Administration Service assessment relating to the 2005 and 2006 years the Company entered into agreements with certain insurance companies to allow for the potential issuance of surety bonds in support of its appeal of the assessment. Such surety bonds, if issued, would not affect the availability of the Company's Credit Facility. These arrangements with the insurance companies remain in place in the event that the assessment is re-issued.

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 \$23 million, translated at the period ended spot rate, related to that period. On July 11, 2013, the Company filed an administrative appeal disputing the assessment. The Company has not recognized a loss as the Company does not believe a loss is probable.

The Mexican Tax Administration Service audited the Company's Mexican subsidiaries for the 2011 year. The audit focused on importation and VAT issues. On June 25, 2013, the Mexican Tax Administration Service closed the audit of the 2011 year without any assessment.

The Company has not recognized a loss with respect to any of these Mexican matters as the Company, based on its analysis and guidance from its advisors, does not believe a loss is probable. Further, the Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if the assessment was re-issued or any additional assessments were to be issued for these or other periods. The Company believes that it has meritorious defenses if the assessment is re-issued or would have meritorious defenses if any additional assessment is issued.

---

**Table of Contents**

The Company received an assessment from the Spanish Tax Authority in an amount equivalent to approximately \$4.2 million translated at the period ended spot rate, for withholding taxes, interest and penalties related to payments to Spanish distributors for the 2003-2004 periods. The Company appealed the assessment to the National Appellate Court (Audiencia Nacional). Based on the ruling of the National Appellate Court, substantially all of the assessment was nullified. The Company began withholding taxes on payments to Spanish distributors for the 2012 year. If the Spanish Tax Authority raises the same issue in later years, the Company believes that it has meritorious defenses. The Company has not recognized a loss as the Company does not believe a loss is probable. The Company is currently unable to reasonably estimate a possible loss or range of loss that could result from an unfavorable outcome if additional assessments for other periods were to be issued.

The Company received a tax assessment in September 2009, from the Federal Revenue Office of Brazil in an amount equivalent to approximately \$3.8 million U.S. dollars, translated at the period ended spot rate, related to withholding/contributions based on payments to the Company's distributors during 2004. The Company has appealed this tax assessment to the Administrative Council of Tax Appeals (2nd level administrative appeal) as it believes it has meritorious defenses and it has not recognized a loss as 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 received an order from a Rome Labor Court on behalf of the Social Security Authority on March 1, 2012, to pay an amount equivalent to approximately \$7.0 million U.S. dollars, translated at the period ended spot rate, for social contributions, interest and penalties related to payments to Italian distributors from 2002 through 2005. The Company has filed a writ with the Rome Labor Court appealing the order and the Social Security Authority filed a response brief. At a hearing on July 12, 2012, the Social Security Authority announced its intention to withdraw their claim as well as the order to pay the assessment. A hearing on this matter was originally scheduled for October 23, 2012 but it has been postponed and is rescheduled for October 10, 2013. The Company has not recognized a loss as the Company does not believe a loss is probable.

These matters 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.

**6. Segment Information**

The Company is a nutrition company that sells a wide range of weight management products, nutritional supplements and personal care products. The Company's products are manufactured by third party providers and by the Company in its Changsha, Hunan, China extraction facility, Suzhou, China facility and in its Lake Forest, California facility, and then are sold to independent distributors who consume and sell Herbalife products to retail consumers or other distributors. Revenues reflect sales of products by the Company to its distributors and are categorized based on geographic location.

As of June 30, 2013, the Company sold products in 88 countries throughout the world and was organized and managed by geographic regions. The Company aggregates its operating segments, excluding China, into one 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, and the nature

of the regulatory environment. China has been identified as a separate reporting segment as it does not meet the criteria for aggregation. The operating information for the Primary Reporting Segment and China, and sales by product line are as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	<b>(In millions)</b>			
<b>Net Sales:</b>				
Primary Reporting Segment				
United States	\$ 241.7	\$ 218.1	\$ 457.9	\$ 422.6
Mexico	145.6	119.5	278.5	236.6
South Korea	112.0	112.5	222.0	205.6
Others	601.9	504.7	1,197.9	997.3
<b>Total Primary Reporting Segment</b>	<b>1,101.2</b>	<b>954.8</b>	<b>2,156.3</b>	<b>1,862.1</b>
China	118.0	77.1	186.6	134.0
<b>Total Net Sales</b>	<b>\$ 1,219.2</b>	<b>\$ 1,031.9</b>	<b>\$ 2,342.9</b>	<b>\$ 1,996.1</b>

**Table of Contents**

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(In millions)			
<b>Contribution Margin(1)(2):</b>				
Primary Reporting Segment				
United States	\$ 99.5	\$ 93.6	\$ 194.2	\$ 189.0
Mexico	64.0	49.0	122.6	92.9
South Korea	56.4	55.0	111.6	97.0
Others	266.8	226.1	531.3	444.0
Total Primary Reporting Segment	486.7	423.7	959.7	822.9
China	105.8	69.4	166.3	120.6
Total Contribution Margin	\$ 592.5	\$ 493.1	\$ 1,126.0	\$ 943.5
Selling, general and administrative expenses(2)	400.1	306.3	764.8	602.7
Interest expense, net	5.6	3.2	10.9	4.5
Income before income taxes	186.8	183.6	350.3	336.3
Income taxes	43.6	51.6	88.3	96.4
Net Income	\$ 143.2	\$ 132.0	\$ 262.0	\$ 239.9
<b>Net sales by product line:</b>				
Weight Management	\$ 778.2	\$ 646.8	\$ 1,489.8	\$ 1,248.6
Targeted Nutrition	277.5	241.0	534.4	465.9
Energy, Sports and Fitness	65.1	52.5	123.4	100.6
Outer Nutrition	37.8	37.7	76.0	74.4
Literature, promotional and other(3)	60.6	53.9	119.3	106.6
Total Net Sales	\$ 1,219.2	\$ 1,031.9	\$ 2,342.9	\$ 1,996.1
<b>Net sales by geographic region:</b>				
North America	\$ 247.5	\$ 224.7	\$ 469.0	\$ 435.4
Mexico	145.6	119.5	278.5	236.6
South and Central America	222.5	152.5	441.9	318.0
EMEA	186.4	161.6	355.9	315.6
Asia Pacific	299.2	296.5	611.0	556.5
China	118.0	77.1	186.6	134.0
Total Net Sales	\$ 1,219.2	\$ 1,031.9	\$ 2,342.9	\$ 1,996.1

(1) Contribution margin consists of net sales less cost of sales and royalty overrides. See Part I, Item 2 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Original 10-Q



for a description of net sales, cost of sales and royalty overrides.

- (2) Service fees to China independent service providers totaling \$53.2 million and \$33.5 million for the three months ended June 30, 2013 and 2012, respectively, and totaling \$84.7 million and \$59.3 million for the six months ended June 30, 2013 and 2012, respectively, are included in selling, general and administrative expenses while distributor compensation for all other countries is included in contribution margin.
- (3) Product buybacks and returns in all product categories are included in the literature, promotional and other category.

As of June 30, 2013 and December 31, 2012, total assets for the Company's Primary Reporting Segment were \$2,065.7 million and \$1,607.2 million, respectively. Total assets for the China segment were \$188.3 million and \$116.9 million as of June 30, 2013 and December 31, 2012, respectively. As of June 30, 2013 and December 31, 2012, goodwill allocated to the Company's reporting units included in the Company's Primary Reporting Segment was \$102.4 million for both periods. Goodwill allocated to the China segment was \$3.1 million as of June 30, 2013 and December 31, 2012.

## 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 in the 2012 10-K. During the six months ended June 30, 2013, the Company granted stock awards subject to continued service, consisting of stock appreciation rights, or SARs, and stock units with vesting terms fully described in the 2012 10-K. There were no stock options granted during the six months ended June 30, 2013.

For the three months ended June 30, 2013 and 2012, share-based compensation expense amounted to \$7.4 million and \$5.3 million, respectively. For the six months ended June 30, 2013 and 2012, share-based compensation expense amounted to \$15.3 million and \$12.5 million, respectively. As of June 30, 2013, the total unrecognized compensation cost related to all non-vested stock awards was \$36.4 million and the related weighted-average period over which it is expected to be recognized is approximately 1.3 years.

**Table of Contents**

The following tables summarize the activity under all share-based compensation plans for the six months ended June 30, 2013:

<b>Stock Options &amp; SARs</b>	<b>Awards (In thousands)</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value(1) (In millions)</b>
Outstanding at December 31, 2012(2)(3)	11,333	\$ 28.62	5.9 years	\$ 119.1
Granted	85	\$ 35.46		
Exercised	(9)	\$ 10.34		
Forfeited	(30)	\$ 44.81		
Outstanding at June 30, 2013(2)(3)	11,379	\$ 28.65	5.4 years	\$ 208.5
Exercisable at June 30, 2013(2)	7,568	\$ 20.79	4.3 years	\$ 188.2

- (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 1.5 million market condition SARs.  
(3) Includes 0.9 million market and performance condition SARs.

The weighted-average grant date fair value of SARs granted during the three months ended June 30, 2013 and 2012 was \$12.68 and \$15.27, respectively. The weighted-average grant date fair value of SARs granted during the six months ended June 30, 2013 and 2012 was \$11.85 and \$15.36, respectively. The total intrinsic value of stock options and SARs exercised during the three months ended June 30, 2012 was \$24.7 million. There were no exercises of stock options and SARs during the three months ended June 30, 2013. The total intrinsic value of stock options and SARs exercised during the six months ended June 30, 2013 and 2012 was \$0.3 million and \$94.3 million, respectively.

<b>Incentive Plan and Independent Directors Stock Units</b>	<b>Shares (In thousands)</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding and nonvested December 31, 2012	321.6	\$ 11.70
Granted	7.6	\$ 35.63
Vested	(186.7)	\$ 13.18
Forfeited	(0.2)	\$ 53.60
Outstanding and nonvested at June 30, 2013	142.3	\$ 10.47

The total vesting date fair value of stock units which vested during the three months ended June 30, 2013 and 2012, was \$2.5 million and \$4.5 million, respectively. The total vesting date fair value of stock units which vested during the six months ended June 30, 2013 and 2012, was \$6.8 million and \$23.0 million, respectively.

The Company recognizes excess tax benefits associated with share-based compensation to shareholders' equity only when realized. When assessing whether excess tax benefits relating to share-based compensation have been realized, the Company follows the with-and-without approach. Under this approach, excess tax benefits related to share-based compensation are not deemed to be realized until after the utilization of all other tax benefits available to the Company, which are also subject to applicable limitations. As of June 30, 2013 and December 31, 2012, the Company had \$26.5 million and \$25.9 million, respectively, of unrealized excess tax benefits.

## **8. Income Taxes**

Income taxes were \$43.6 million and \$88.3 million for the three and six months ended June 30, 2013, as compared to \$51.6 million and \$96.4 million for the same periods in 2012. The effective income tax rate was 23.4% and 25.2% for the three and six months ended June 30, 2013, as compared to 28.1% and 28.7% for the same periods in 2012. The decrease in the effective tax rate for the three and six months ended June 30, 2013, as compared to the same periods in 2012, was primarily due to an increase of net benefits from discrete events, principally related to favorable tax audit settlements, and the impact of changes in the geographic mix of the Company's income.

As of June 30, 2013, the total amount of unrecognized tax benefits, including related interest and penalties was \$35.6 million. If the total amount of unrecognized tax benefits was recognized, \$28.2 million of unrecognized tax benefits, \$4.7 million of interest and \$0.8 million of penalties would impact the effective tax rate.

## **Table of Contents**

The Company believes that it is reasonably possible that the amount of unrecognized tax benefits could decrease by up to approximately \$15.9 million within the next twelve months. Of this possible decrease, \$14.2 million would be due to the settlement of audits or resolution of administrative or judicial proceedings. The remaining possible decrease of \$1.7 million would be due to the expiration of statute of limitations in various jurisdictions.

## **9. Derivative Instruments and Hedging Activities**

### ***Interest Rate Risk Management***

The Company engages in an interest rate hedging strategy for which the hedged transactions are forecasted interest payments on the Credit Facility. The hedged risk is the variability of forecasted interest rate cash flows, where the hedging strategy involves the purchase of interest rate swaps. For the outstanding cash flow hedges on interest rate exposures at June 30, 2013, the maximum length of time over which the Company is hedging certain of these exposures is approximately one month.

During August 2009, the Company entered into four interest rate swap agreements with an effective date of December 31, 2009. The agreements collectively provide for the Company to pay interest for less than a four-year period at a weighted average fixed rate of 2.78% on notional amounts aggregating to \$140.0 million while receiving interest for the same period at the one month LIBOR rate on the same notional amounts. These agreements expired in July 2013. These swaps at inception were designated as cash flow hedges against the variability in the LIBOR interest rate on the Company's term loan under the Prior Credit Facility or against the variability in the LIBOR interest rate on the replacement debt. The Company's term loan under the Prior Credit Facility was terminated in March 2011 and refinanced with the Credit Facility as discussed further in Note 4, *Long-Term Debt*. As of June 30, 2013, the Company's swaps remained effective and continued to be designated as cash flow hedges against the variability in certain LIBOR interest rate borrowings under the Credit Facility at LIBOR plus 1.50% to 2.50%, fixing the Company's weighted average effective rate on the notional amounts at 4.28% to 5.28%. There was no hedge ineffectiveness recorded as result of this refinancing event.

The Company assesses hedge effectiveness and measures hedge ineffectiveness at least quarterly. During the three and six months ended June 30, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of June 30, 2013 and December 31, 2012. Consequently, all changes in the fair value of the derivatives are deferred and recorded in other comprehensive income (loss) until the related forecasted transactions are recognized in the condensed consolidated statements of income. The fair value of the interest rate swap agreements are based on third-party quotes. At June 30, 2013 and December 31, 2012, the Company recorded the interest rate swaps as liabilities at their fair value of \$0.2 million and \$2.0 million, respectively.

### ***Foreign Currency Instruments***

The Company also designates certain foreign currency derivatives, such as certain foreign currency forward and option 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 foreign currency forward contracts to hedge foreign-currency-denominated intercompany transactions and to partially mitigate the impact of foreign currency fluctuations. The Company also uses foreign currency option contracts to partially mitigate the impact of foreign currency fluctuations. The fair value of the forward and option contracts are 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 income (loss) within shareholders' equity, 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 income (loss) within shareholders' equity, 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 June 30, 2013 and December 31, 2012, the aggregate notional amounts of all foreign currency contracts outstanding designated as cash flow hedges were approximately \$259.5 million and \$256.9 million, respectively. At June 30, 2013, these outstanding contracts were expected to mature over the next twelve months. The Company's derivative financial instruments are recorded on the condensed consolidated balance sheet at fair value based on third-party quotes. As of June 30, 2013, the Company recorded assets at fair value of \$3.5 million and liabilities at fair value of \$1.9 million relating to all outstanding foreign currency contracts designated as cash-flow hedges. As of December 31, 2012, the Company recorded assets at fair value of \$0.5 million and liabilities at fair value of \$3.3 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 and six months ended June 30, 2013 and 2012, the ineffective portion relating to these hedges was immaterial and the hedges remained effective as of June 30, 2013 and December 31, 2012.

**Table of Contents**

As of both June 30, 2013 and December 31, 2012, 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. There were no foreign currency option contracts outstanding as of June 30, 2013 and December 31, 2012. See Part I, Item 3 *Quantitative and Qualitative Disclosures About Market Risk* in the Original 10-Q for foreign currency instruments outstanding as of June 30, 2013, where the Company had aggregate notional amounts of approximately \$514.7 million of foreign currency contracts, inclusive of freestanding contracts and contracts designated as cash flow hedges.

**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 and six months ended June 30, 2013 and 2012:

**Amount of Gain (Loss) Recognized  
in Other Comprehensive Income (Loss)  
For the Three Months Ended For the Six Months Ended  
June 30, 2013 June 30, 2012 June 30, 2013 June 30, 2012  
(In millions)**

**Derivatives designated as hedging instruments:**

Foreign exchange currency contracts relating to inventory and intercompany management fee hedges

\$ 7.1      \$ 1.5      \$ 3.0      \$ (0.2)

Interest rate swaps

\$ (0.4)

The following table summarizes gains (losses) relating to derivative instruments recorded to income during the three and six months ended June 30, 2013 and 2012:

**Location of Gain (Loss) Recognized in Income  
For the Three Months Ended For the Six Months Ended  
June 30, 2013 June 30, 2012 June 30, 2013 June 30, 2012  
(In millions)**

**Derivatives designated as hedging instruments:**

Foreign exchange currency contracts relating to inventory hedges and intercompany management fee hedges(1)

Selling, general and administrative expenses

\$ (1.5)      \$ (0.3)      \$ (2.6)      \$ (0.2)

**Derivatives not designated as hedging instruments:**

Foreign exchange currency contracts

Selling, general and administrative expenses

\$ 3.5      \$ 0.2      \$ (5.2)      \$ (10.6)

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

The following table summarizes gains (losses) relating to derivative instruments reclassified from accumulated other comprehensive loss into income during the three and six months ended June 30, 2013 and 2012:

	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income			
		For the Three Months Ended June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		(In millions)			
Derivatives designated as hedging instruments:					
Foreign exchange currency contracts relating to inventory hedges	Cost of sales	\$ (0.8)	\$ 0.2	\$ (2.1)	\$ 0.2
Foreign exchange currency contracts relating to intercompany management fee hedges	Selling, general and administrative expenses		\$ 1.3	\$ (0.1)	\$ 2.5
Interest rate swaps	Interest expense, net	\$ (0.9)	\$ (0.9)	\$ (1.8)	\$ (1.8)

---

**Table of Contents**

The Company reports its derivatives at fair value as either assets or liabilities within its condensed consolidated balance sheet. See Note 12, *Fair Value Measurements*, for information on derivative fair values and their condensed consolidated balance sheet location as of June 30, 2013 and December 31, 2012.

**10. Shareholders Equity**

***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, 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. The Credit Facility permits payments of dividends as long as no default or event of default exists and the consolidated leverage ratio specified in the Credit Facility is not exceeded.

On February 19, 2013, the Company announced that its board of directors approved a cash dividend of \$0.30 per common share in an aggregate amount of \$30.9 million that was paid to shareholders on March 19, 2013. On April 29, 2013, the Company announced that its board of directors approved a cash dividend of \$0.30 per common share in an aggregate amount of \$30.9 million that was paid to shareholders on May 28, 2013.

The aggregate amount of dividends declared and paid during the three months ended June 30, 2013 and 2012 were \$30.9 million and \$35.1 million, respectively. The aggregate amount of dividends declared and paid during the six months ended June 30, 2013 and 2012 were \$61.8 million and \$70.3 million, respectively.

***Share Repurchases***

On July 30, 2012, the Company announced that its board of directors authorized a new \$1 billion share repurchase program that will expire on June 30, 2017. This share repurchase program allows the Company to repurchase its common shares, at such times and prices as determined by the Company's management as market conditions warrant, and to the extent Herbalife 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 the consolidated leverage ratio specified in the Credit Facility is not exceeded.

During the three months ended March 31, 2013, the Company repurchased approximately 4.0 million of its common shares through open market purchases at an aggregate cost of approximately \$162.4 million or an average cost of \$40.61 per share. The Company did not repurchase any common shares in the open market during the three months ended June 30, 2013. As of June 30, 2013, the remaining authorized capacity under the Company's share repurchase program was \$787.6 million.

The Company reflects the aggregate purchase price of its common shares repurchased as a reduction to shareholders equity. The Company allocated the purchase price of the repurchased shares as a reduction to retained earnings, common shares and additional paid-in-capital.

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 minimum 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 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.





**Table of Contents*****Accumulated Other Comprehensive Income (Loss)***

The following table summarizes changes in accumulated other comprehensive income (loss) during the six months ended June 30, 2013:

<b>Changes in Accumulated Other Comprehensive Income (Loss) by Component Six Months Ended June 30, 2013</b>			
	<b>Foreign Currency Translation Adjustments</b>	<b>Unrealized Gain (Loss) on Derivatives (In millions)</b>	<b>Total</b>
Beginning Balance	\$ (28.8)	\$ (2.9)	\$ (31.7)
Other comprehensive income (loss) before reclassifications, net of tax	(17.9)	2.0	(15.9)
Amounts reclassified from accumulated other comprehensive income (loss) to income, net of tax(1)		3.3	3.3
Total other comprehensive income (loss), net of reclassifications	(17.9)	5.3	(12.6)
Ending balance	\$ (46.7)	\$ 2.4	\$ (44.3)

(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 income (loss) into income during the three and six months ended June 30, 2013.

Other comprehensive income (loss) before reclassifications was net of tax benefits of \$1.8 million and tax expense of \$1.0 million for foreign currency translation adjustments and unrealized gain (loss) on derivatives, respectively, for the six months ended June 30, 2013. Amounts reclassified from accumulated other comprehensive income (loss) to income was net of tax expense of \$0.7 million for unrealized gain (loss) on derivatives for the six months ended June 30, 2013.

**11. Earnings Per Share**

Basic earnings per share represents net income for the period common shares were outstanding, 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 stock options, SARs, stock units and warrants.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(in thousands)			
Weighted average shares used in basic computations	102,993	116,557	103,551	116,376
Dilutive effect of exercise of equity grants outstanding	4,090	4,925	4,038	5,726
Dilutive effect of warrants				80
Weighted average shares used in diluted computations	107,083	121,482	107,589	122,182

There were an aggregate of 4.1 million of equity grants that were outstanding during both the three and six months ended June 30, 2013, and an aggregate of 2.6 million of equity grants that were outstanding during both the three and six months ended June 30, 2012, consisting of stock options, SARs, and stock units, but were not included in the computation of diluted earnings per share because their effect would be anti-dilutive.

## 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.

**Table of Contents**

The Company measures certain assets and liabilities at fair value as discussed throughout the notes to its consolidated financial statements. Foreign exchange currency contracts and interest rate swaps are valued using standard calculations and models. Foreign exchange currency contracts are valued primarily based on inputs such as observable forward rates, spot rates and foreign currency exchange rates at the reporting period ended date. Interest rate swaps are valued primarily based on inputs such as LIBOR and swap yield curves at the reporting period ended date. Assets or liabilities that have recurring measurements and are measured at fair value consisted of Level 2 derivatives and are shown below at their gross values at June 30, 2013, and December 31, 2012:

**Fair Value Measurements at Reporting Date**

		Significant Other Observable Inputs (Level 2) Fair Value at June 30, 2013	Significant Other Observable Inputs (Level 2) Fair Value at December 31, 2012
Derivative Balance Sheet Location		(in millions)	
ASSETS:			
Derivatives designated as cash flow hedging instruments:			
Foreign exchange currency contracts relating to inventory and intercompany management fee hedges	Prepaid expenses and other current assets	\$ 3.5	\$ 0.5
Derivatives not designated as cash flow hedging instruments:			
Foreign exchange currency contracts	Prepaid expenses and other current assets	\$ 0.8	\$ 0.7
		\$ 4.3	\$ 1.2
LIABILITIES:			
Derivatives designated as cash flow hedging instruments:			
Foreign exchange currency contracts relating to inventory and intercompany management fee hedges	Accrued expenses	\$ 1.9	\$ 3.3
Interest rate swaps	Accrued expenses	\$ 0.2	\$ 2.0

**Derivatives not designated  
as hedging instruments:**

Foreign exchange currency contracts	Accrued expenses	\$ 3.8	\$	1.3
		\$ 5.9	\$	6.6

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 Company's 2012 10-K for a further description of its 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 sheet at June 30, 2013 and December 31, 2012:

Offsetting of Derivative Assets				
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet (In millions)	Net Amounts of Assets Presented in the Balance Sheet	
June 30, 2013				
Foreign exchange currency contracts	\$ 4.3	\$ (3.4)	\$	0.9
Total	\$ 4.3	\$ (3.4)	\$	0.9
December 31, 2012				
Foreign exchange currency contracts	\$ 1.2	\$ (1.2)		
Total	\$ 1.2	\$ (1.2)		

**Table of Contents**

	<b>Offsetting of Derivative Liabilities</b>		
	<b>Gross Amounts of Recognized Liabilities</b>	<b>Gross Amounts Offset in the Balance Sheet (In millions)</b>	<b>Net Amounts of Liabilities Presented in the Balance Sheet</b>
<b>June 30, 2013</b>			
Foreign exchange currency contracts	\$ 5.7	\$ (3.4)	\$ 2.3
Interest rate swaps	0.2		0.2
Total	\$ 5.9	\$ (3.4)	\$ 2.5
<b>December 31, 2012</b>			
Foreign exchange currency contracts	\$ 4.6	\$ (1.2)	\$ 3.4
Interest rate swaps	2.0		2.0
Total	\$ 6.6	\$ (1.2)	\$ 5.4

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 June 30, 2013 and December 31, 2012, 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. Professional Fees and Other Expenses**

In late 2012, a hedge fund manager publicly raised allegations regarding the legality of the Company's network marketing program and announced that the hedge fund manager had taken a significant short position regarding the Company's common shares, leading to intense public scrutiny and significant stock price volatility. The Company believes that the hedge fund manager's allegations are inaccurate and misleading. The Company has engaged legal and advisory firms to assist with responding to the allegations and to perform other related services in connection to these recent events. The Company recognizes the related expenses as a part of selling, general & administrative expenses within its consolidated statement of income. For the three and six months ended June 30, 2013, the Company recorded approximately \$8.1 million and \$17.6 million, respectively, of professional fees and other expenses related to this matter.

Of the approximately \$8.1 million and \$17.6 million in expenses incurred during the three and six months ended June 30, 2013, respectively, discussed above, approximately \$1.5 million and \$3.0 million, respectively, were recognized for advisory retainer fees. The minimum guaranteed retainer fees were approximately \$7.0 million as of June 30, 2013 and the expense recognition of these fees could accelerate based on certain conditions.

The Company also had a cash settlement liability award, or the Liability Award, outstanding as of June 30, 2013, which is tied to the Company's stock price and which only vests if certain conditions are met relating to the above matter. The fair value of the Liability Award will be revalued each quarter until settlement and the Company will recognize and adjust the expense over the expected requisite service period. The expense recognized during the three and six months ended June 30, 2013, relating to the Liability Award was approximately \$0.3 million and \$1.3 million,

respectively, and are included in the approximately \$8.1 million and \$17.6 million expense described above. The remaining unrecognized expense relating to the Liability Award was approximately \$2.5 million as of June 30, 2013, based on the fair value of the Liability Award as of that date. The recognition of the unrecognized expense relating to the Liability Award could accelerate and change based on certain conditions.

#### **14. Subsequent Events**

On July 29, 2013, the Company announced that its board of directors approved a cash dividend of \$0.30 per common share, payable on August 27, 2013 to shareholders of record as of August 13, 2013.

**Table of Contents****PART II. OTHER INFORMATION****Item 6. Exhibits**

(a) Exhibit Index:

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>	<b>Reference</b>
3.1	Form of Amended and Restated Memorandum and Articles of Association of Herbalife Ltd.	(d)
4.1	Form of Share Certificate	(d)
10.1	Form of Indemnity Agreement between Herbalife International Inc. and certain officers and directors of Herbalife International, Inc.	(a)
10.2#	Herbalife International of America, Inc.'s Senior Executive Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.3#	Herbalife International of America, Inc.'s Management Deferred Compensation Plan, effective January 1, 1996, as amended	(a)
10.4#	Master Trust Agreement between Herbalife International of America, Inc. and Imperial Trust Company, Inc., effective January 1, 1996	(a)
10.5#	Herbalife International Inc. 401K Profit Sharing Plan and Trust, as amended	(a)
10.6	Notice to Distributors regarding Amendment to Agreements of Distributorship, dated as of July 18, 2002 between Herbalife International, Inc. and each Herbalife Distributor	(a)
10.7	Indemnity agreement dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., WH Acquisition Corp., Whitney & Co., LLC, Whitney V, L.P., Whitney Strategic Partners V, L.P., GGC Administration, L.L.C., Golden Gate Private Equity, Inc., CCG Investments (BVI), L.P., CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG Associates-QP, LLC and WH Investments Ltd.	(a)
10.8#	WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, as restated, dated as of November 5, 2003	(a)
10.9#	Non-Statutory Stock Option Agreement, dated as of April 3, 2003 between WH Holdings (Cayman Islands) Ltd. and Michael O. Johnson	(a)
10.10#	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)
10.11#	Form of Non-Statutory Stock Option Agreement (Non-Executive Agreement)	(a)
10.12#	Form of Non-Statutory Stock Option Agreement (Executive Agreement)	(a)
10.13		(a)



Indemnity Agreement, dated as of February 9, 2004, among WH Capital Corporation and Brett R. Chapman

- |        |   |     |
|--------|---|-----|
| 10.14# | First Amendment to Amended and Restated WH Holdings (Cayman Islands) Ltd. Stock Incentive Plan, dated November 5, 2003  | (a) |
| 10.15  | Registration Rights Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney V, L.P., Whitney Strategic Partners V, L.P., WH Investments Ltd., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, L.P., CCG AV, LLC-Series C and CCG AV, LLC-Series E. | (b) |
| 10.16  | Share Purchase Agreement, dated as of July 31, 2002, by and among WH Holdings (Cayman Islands) Ltd., Whitney Strategic Partners V, L.P., WH Investments Ltd., Whitney V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C and CCG AV, LLC-Series E.        | (b) |

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>	<b>Reference</b>
10.17	Form of Indemnification Agreement between Herbalife Ltd. and the directors and certain officers of Herbalife Ltd.	(c)
10.18#	Herbalife Ltd. 2004 Stock Incentive Plan, effective December 1, 2004	(c)
10.19	Indemnification Agreement, dated as of December 13, 2004, by and among Herbalife Ltd., Herbalife International, Inc., Whitney V, L.P., Whitney Strategic Partners V, L.P., CCG Investments (BVI), L.P., CCG Associates-QP, LLC, CCG Associates-AI, LLC, CCG Investment Fund-AI, LP, CCG AV, LLC-Series C, CCG AV, LLC-Series E, CCG CI, LLC and GGC Administration, LLC.	(d)
10.20#	Amendment No. 1 to Herbalife Ltd. 2004 Stock Incentive Plan	(e)
10.21#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Stock Option Agreement	(j)
10.22#	Form of 2004 Herbalife Ltd. 2004 Stock Incentive Plan Non-Employee Director Stock Option Agreement	(j)
10.23#	Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan	(f)
10.24#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(n)
10.25#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(n)
10.26#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Michael O. Johnson	(n)
10.27#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Michael O. Johnson	(n)
10.28#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Richard P. Goudis and Brett R. Chapman	(n)
10.29#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Richard P. Goudis and Brett R. Chapman	(n)
10.30#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Mr. Michael O. Johnson	(q)
10.31#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Mr. Michael O. Johnson	(q)
10.32#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement applicable to Messrs. Brett R. Chapman and Richard Goudis	(q)
10.33#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement applicable to Messrs. Brett R. Chapman and Richard Goudis	(q)
10.34#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(q)
10.35#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Appreciation Right Award Agreement	(q)
10.36#	Herbalife Ltd. Employee Stock Purchase Plan	(s)

Edgar Filing: HERBALIFE LTD. - Form 10-Q/A

10.37#	Employment Agreement dated as of March 27, 2008 between Michael O. Johnson and Herbalife International of America, Inc.	(s)
10.38#	Stock Unit Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(s)
10.39#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(s)
10.40#	Stock Appreciation Right Award Agreement by and between Herbalife Ltd. and Michael O. Johnson, dated March 27, 2008.	(s)
10.41#	Amendment to Herbalife International Inc. 401K Profit Sharing Plan and Trust	(g)
10.42#	Form of Independent Directors Stock Appreciation Right Award Agreement	(h)
10.43#	Herbalife Ltd. Amended and Restated Independent Directors Deferred Compensation and Stock Unit Plan	(h)
10.44#	Amended and Restated Employment Agreement by and between Richard P. Goudis and Herbalife International of America, Inc., dated as of January 1, 2010.	(i)

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>	<b>Reference</b>
10.45#	First Amendment to the Amended and Restated Employment Agreement by and between Richard P. Goudis and Herbalife International of America, Inc., dated as of December 28, 2010.	(l)
10.46#	Amended and Restated Employment Agreement by and between Brett Chapman and Herbalife International of America, Inc., dated as of June 1, 2010.	(k)
10.47#	First Amendment to the Amended and Restated Employment Agreement by and between Brett R. Chapman and Herbalife International of America, Inc., dated as of December 26, 2010.	(l)
10.48#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Stock Unit Award Agreement	(j)
10.49#	Amended and Restated Non-Management Directors Compensation Plan	(j)
10.50#	Form of Herbalife Ltd. 2005 Stock Incentive Plan Non-Employee Directors Stock Appreciation Right Award Agreement	(j)
10.51#	Severance Agreement by and between John DeSimone and Herbalife International of America, Inc., dated as of February 23, 2011.	(m)
10.52#	Amended and Restated Severance Agreement, dated as of February 23, 2011, by Desmond Walsh and Herbalife International of America, Inc.	(m)
10.53	Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. ( HII ), 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.	(n)
10.54	First Amendment, dated July 26, 2012, to Credit Agreement, dated as of March 9, 2011, by and among Herbalife International, Inc. ( HII ), 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.	(q)
10.55#	Amendment to Amended and Restated Herbalife Ltd. 2005 Stock Incentive Plan	(o)
10.56#	Stock Appreciation Right Award Agreement, dated August 4, 2011, by and between Herbalife Ltd. and Michael O. Johnson	(p)
10.57	Confirmation between Merrill Lynch International and Herbalife Ltd.	(q)
10.58	Support Agreement, dated February 28, 2013, by and between Carl C. Icahn, Herbalife Ltd., Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III 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 L.P., and Icahn Enterprises G.P. Inc.	(r)
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.

---

**Table of Contents**

- # 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 November 9, 2004 as an Exhibit to Amendment No. 2 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.
  - (c) Previously filed on December 2, 2004 as an Exhibit to Amendment No. 4 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.
  - (d) Previously filed on December 14, 2004 as an Exhibit to Amendment No. 5 to the Company's registration statement on Form S-1 (File No. 333-119485) and is incorporated herein by reference.
  - (e) Previously filed on February 17, 2005 as an Exhibit to the Company's registration statement on Form S-8 (File No. 333-122871) and is incorporated herein by reference.
  - (f) Previously filed on April 30, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (g) Previously filed on May 4, 2009 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and is incorporated by reference.
  - (h) Previously filed on May 3, 2010 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and is incorporated by reference.
  - (i) Previously filed on June 17, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (j) Previously filed on August 2, 2010 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and is incorporated by reference.
  - (k) Previously filed on August 3, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (l) Previously filed on December 29, 2010 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (m) Previously filed on March 1, 2011 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (n) Previously filed on May 2, 2011 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and is incorporated by reference.
  - (o) Previously filed on April 29, 2011 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (p) Previously filed on August 10, 2011 as an Exhibit to the Company's Current Report on Form 8-K, and is incorporated herein by reference.
  - (q) Previously filed on July 30, 2012 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and is incorporated herein by reference.
  - (r) Previously filed on March 1, 2013 as an Exhibit to the Company's Current Report on Form 8-K and is incorporated herein by reference.
  - (s) Previously filed on April 29, 2013 as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and is incorporated herein by reference.

**Table of Contents**

**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 LTD.**

By: /s/ JOHN G. DESIMONE  
John G. DeSimone

Chief Financial Officer

Dated: December 16, 2013