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 June 30, 2022

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: 001-34483

NATURE'S SUNSHINE PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

Utah	**87-0327982**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2901 Bluegrass Boulevard, Suite 100
Lehi, Utah 84043
(Address of principal executive offices and zip code)

(801) 341-7900
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	NATR	Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 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 an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	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 Act). Yes ☐ No ☒.

The number of shares of Common Stock, no par value, outstanding on July 22, 2022, was 19,224,999 shares.

NATURE'S SUNSHINE PRODUCTS, INC.
FORM 10-Q

For the Quarter Ended June 30, 2022

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated herein by reference in this report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies. All statements (other than statements of historical fact) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. For example, information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are more fully described in this report, including the risks set forth under “Risk Factors” in Item 1A, and in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, but include the following:

- extensive government regulations to which the Company’s products, business practices and manufacturing activities are subject;
- registration of products for sale in foreign markets, or difficulty or increased cost of importing products into foreign markets;
- legal challenges to the Company’s direct selling program or to the classification of its independent consultants;
- laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets;
- liabilities and obligations arising from improper activity by the Company’s independent consultants;
- product liability claims;
- impact of anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- the Company’s ability to attract and retain independent consultants;
- the loss of one or more key independent consultants who have a significant sales network;
- the Company’s joint venture for operations in China with Fosun Industrial Co., Ltd.;
- the effect of fluctuating foreign exchange rates;
- failure of the Company’s independent consultants to comply with advertising laws;
- changes to the Company’s independent consultants compensation plans;
- geopolitical issues and conflicts;
- adverse effects caused by the ongoing coronavirus pandemic;
- negative consequences resulting from difficult economic conditions, including the availability of liquidity or the willingness of the Company’s customers to purchase products;
- risks associated with the manufacturing of the Company’s products;
- supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand;
- failure to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers;
- world-wide slowdowns and delays related to supply chain, ingredient shortages and logistical challenges;
- 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;
- cybersecurity threats and exposure to data loss;
- the storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations;
- reliance on information technology infrastructure; and
- the sufficiency of trademarks and other intellectual property rights.

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report. Throughout this report, we refer to Nature’s Sunshine Products, Inc., together with our subsidiaries, as "we," "us," "our," "our Company" or “the Company.”

PART I FINANCIAL INFORMATION

Item 1. *FINANCIAL STATEMENTS*

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 56,344	$ 86,184
Accounts receivable, net of allowance for doubtful accounts of $525 and $143, respectively	10,540	8,871
Inventories	70,643	60,852
Prepaid expenses and other	9,618	8,760
Total current assets	147,145	164,667
Property, plant and equipment, net	49,099	50,857
Operating lease right-of-use assets	18,060	18,349
Investment securities - trading	743	964
Deferred income tax assets	7,794	13,590
Other assets	10,218	10,447
Total assets	$ 233,059	$ 258,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 9,423	$ 9,702
Accrued volume incentives and service fees	23,199	23,131
Accrued liabilities	26,842	31,600
Deferred revenue	1,829	3,694
Related party notes payable	—	302
Income taxes payable	2,227	2,647
Current portion of operating lease liabilities	4,336	4,350
Current portion of note payable	1,263	1,244
Total current liabilities	69,119	76,670
Long-term portion of operating lease liabilities	15,871	15,919
Long-term note payable	537	1,174
Deferred compensation payable	743	964
Deferred income tax liabilities	1,212	1,566
Other liabilities	1,098	1,177
Total liabilities	88,580	97,470
Shareholders' equity:		
Common stock, no par value, 50,000 shares authorized, 19,259 and 19,724 shares issued and outstanding, respectively	121,623	133,382
Retained earnings	32,591	35,025
Noncontrolling interest	3,902	3,202
Accumulated other comprehensive loss	(13,637)	(10,205)
Total shareholders' equity	144,479	161,404
Total liabilities and shareholders' equity	$ 233,059	$ 258,874

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share information)
(Unaudited)

	Three Months Ended June 30,	
	2022	**2021**
Net sales	$ 104,161	$ 108,978
Cost of sales	29,471	28,463
Gross profit	74,690	80,515
Operating expenses:		
Volume incentives	32,069	35,443
Selling, general and administrative	36,866	35,586
Operating income	5,755	9,486
Other income (loss), net	(442)	529
Income before provision for income taxes	5,313	10,015
Provision for income taxes	4,361	3,221
Net income	952	6,794
Net income attributable to noncontrolling interests	436	254
Net income attributable to common shareholders	$ 516	$ 6,540
Basic and diluted net income per common share:		
Basic earnings per share attributable to common shareholders	$ 0.03	$ 0.33
Diluted earnings per share attributable to common shareholders	$ 0.03	$ 0.32
Weighted average basic common shares outstanding	19,386	19,999
Weighted average diluted common shares outstanding	19,594	20,503

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share information)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Net sales	$ 214,655	$ 211,399
Cost of sales	63,931	55,442
Gross profit	150,724	155,957
Operating expenses:		
Volume incentives	66,171	69,698
Selling, general and administrative	77,489	69,138
Operating income	7,064	17,121
Other loss, net	(756)	(1,404)
Income before provision for income taxes	6,308	15,717
Provision for income taxes	8,042	4,771
Net income (loss)	(1,734)	10,946
Net income attributable to noncontrolling interests	700	390
Net income (loss) attributable to common shareholders	$ (2,434)	$ 10,556
Basic and diluted net income per common share:		
Basic earnings (loss) per share attributable to common shareholders	$ (0.12)	$ 0.53
Diluted earnings (loss) per share attributable to common shareholders	$ (0.12)	$ 0.52
Weighted average basic common shares outstanding	19,479	19,897
Weighted average diluted common shares outstanding	19,479	20,340
Dividends declared per common share	$ —	$ 1.00

See accompanying notes to condensed consolidated financial statements.

NATURE’S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	Three Months Ended June 30,	
	2022	**2021**
Net income	$ 952	$ 6,794
Foreign currency translation loss (net of tax)	(2,457)	(45)
Total comprehensive income (loss)	$ (1,505)	$ 6,749

	Six Months Ended June 30,	
	2022	**2021**
Net income (loss)	$ (1,734)	$ 10,946
Foreign currency translation loss (net of tax)	(3,432)	(166)
Total comprehensive income (loss)	$ (5,166)	$ 10,780

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands)
(Unaudited)

	Common Stock					
	Shares	Amount	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2021	19,724	$ 133,382	$ 35,025	$ 3,202	$ (10,205)	$ 161,404
Share-based compensation expense	—	801	—	—	—	801
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	218	(795)	—	—	—	(795)
Repurchase of common stock	(451)	(7,971)	—	—	—	(7,971)
Net income (loss)	—	—	(2,950)	264	—	(2,686)
Other comprehensive loss	—	—	—	—	(975)	(975)
Balance at March 31, 2022	19,491	$ 125,417	$ 32,075	$ 3,466	$ (11,180)	$ 149,778
Share-based compensation expense	—	540	—	—	—	540
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	58	(334)	—	—	—	(334)
Repurchase of common stock	(290)	(4,000)	—	—	—	(4,000)
Net income	—	—	516	436	—	952
Other comprehensive loss	—	—	—	—	(2,457)	(2,457)
Balance at June 30, 2022	19,259	$ 121,623	$ 32,591	$ 3,902	$ (13,637)	$ 144,479

	Common Stock					
	Shares	Amount	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	19,697	$ 139,311	$ 26,030	$ 1,848	$ (9,955)	$ 157,234
Share-based compensation expense	—	1,005	—	—	—	1,005
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	218	(914)	—	—	—	(914)
Cash dividends ($1.00 per share)	—	—	(19,858)	—	—	(19,858)
Net income	—	—	4,016	136	—	4,152
Other comprehensive loss	—	—	—	—	(121)	(121)
Balance at March 31, 2021	19,915	$ 139,402	$ 10,188	$ 1,984	$ (10,076)	$ 141,498
Share-based compensation expense	—	1,066	—	—	—	1,066
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	152	(660)	—	—	—	(660)
Repurchase of common stock	(77)	(1,500)	—	—	—	(1,500)
Net income	—	—	6,540	254	—	6,794
Other comprehensive loss	—	—	—	—	(45)	(45)
Balance at June 30, 2021	19,990	$ 138,308	$ 16,728	$ 2,238	$ (10,121)	$ 147,153

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,734)	$ 10,946
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts	417	—
Depreciation and amortization	5,451	5,541
Non-cash lease expense	2,785	2,626
Share-based compensation expense	1,341	2,071
Loss on sale of property, plant and equipment	—	12
Deferred income taxes	5,338	1,753
Purchase of trading investment securities	(19)	(24)
Proceeds from sale of trading investment securities	69	175
Realized and unrealized gains (losses) on investments	170	(67)
Foreign exchange losses	803	1,572
Changes in assets and liabilities:		
Accounts receivable	(2,801)	(2,755)
Inventories	(11,910)	(3,777)
Prepaid expenses and other current assets	(1,357)	(918)
Other assets	(33)	(108)
Accounts payable	(80)	1,079
Accrued volume incentives and service fees	1,045	483
Accrued liabilities	(4,001)	(5,473)
Deferred revenue	(1,718)	(111)
Lease liabilities	(2,503)	(2,487)
Income taxes payable	(386)	261
Liability related to unrecognized tax benefits	—	(87)
Deferred compensation payable	(220)	—
Net cash provided by (used in) operating activities	(9,343)	10,712
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(3,757)	(2,898)
Net cash used in investing activities	(3,757)	(2,898)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of cash dividends	—	(19,858)
Principal payments of long-term debt	(618)	(698)
Proceeds from revolving credit facility	15,645	—
Principal payments of revolving credit facility	(15,645)	—
Principal payments of related party borrowing	(300)	—
Payments related to tax withholding for net-share settled equity awards	(1,129)	(1,574)
Repurchase of common stock	(11,971)	(1,500)
Net cash used in financing activities	(14,018)	(23,630)
Effect of exchange rates on cash and cash equivalents	(2,722)	(1,351)
Net decrease in cash and cash equivalents	(29,840)	(17,167)
Cash and cash equivalents at the beginning of the period	86,184	92,069
Cash and cash equivalents at the end of the period	$ 56,344	$ 74,902
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 4,173	$ 2,582
Cash paid for interest	113	111

See accompanying notes to condensed consolidated financial statements.

NATURE’S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products directly to customers and to a sales force of independent consultants who use the products themselves or resell them to consumers.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation of our financial information as of June 30, 2022, and for the three and six-month periods ended June 30, 2022 and 2021. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2022.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, in these financial statements and accompanying notes. Actual results could differ from these estimates due to the uncertainty around the magnitude and duration of the COVID-19 pandemic, as well as other factors, and those differences could have a material effect on our financial position and results of operations.

The significant accounting estimates inherent in the preparation of our financial statements include estimates associated with our determination of liabilities related to independent consultant incentives, the determination of income tax assets and liabilities, certain other non-income tax and value-added tax contingencies, and legal contingencies. In addition, significant estimates form the basis for allowances with respect to inventory valuations. Various assumptions and other factors enter into the determination of these significant estimates. The process of determining significant estimates takes into account historical experience and current and expected economic conditions.

Noncontrolling Interests

Noncontrolling interests changed as a result of the net income attributable to noncontrolling interests of $0.4 million and $0.7 million for the three and six months ended June 30, 2022, respectively. Net income attributable to the noncontrolling interests was $0.3 million and $0.4 million for the three and six months ended June 30, 2021, respectively. As of June 30, 2022 and December 31, 2021, noncontrolling interests were $3.9 million and $3.2 million, respectively.

Restructuring Related Accruals and Expenses

We recorded $0 and $0.3 million of restructuring related expenses during the three and six months ended June 30, 2022, respectively. We recorded $0 and $48,000 of restructuring related expenses during the three and six months ended June 30, 2021, respectively. Accrued severance and restructuring related costs were $5,000 and $0.2 million as of June 30, 2022 and December 31, 2021, respectively.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are elective and subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This could affect balances of right of use assets, lease liabilities, and notes payables. The amendments in this update are effective as of March 12, 2020 through December 21, 2022. The adoption of this ASU is not expected to have a significant impact on our Consolidated Financial Statements.

(2) Inventories

The composition of inventories is as follows (dollar amounts in thousands):

	June 30, 2022	December 31, 2021
Raw materials	$ 27,680	$ 22,494
Work in progress	1,930	1,746
Finished goods	41,033	36,612
Total inventories	$ 70,643	$ 60,852

(3) Investment Securities - Trading

Our trading securities portfolio totaled $0.7 million at June 30, 2022, and $1.0 million at December 31, 2021, and generated losses of $0.1 million and gains of $0.1 million for the three months ended June 30, 2022 and 2021, respectively, and losses of $0.2 million and gains of $0.1 million for the six months ended June 30, 2022 and 2021, respectively.

(4) Revolving Credit Facility and Other Obligations

On July 11, 2017, we entered into a revolving credit agreement with Bank of America, N.A., with a borrowing limit of $25.0 million (the "Credit Agreement"). On June 23, 2022 the credit agreement was amended to extend the term to mature on July 1, 2027 and allows for additional borrowings of $25.0 million or up to three separate increases of no less than $5.0 million each. The amendment to the credit agreement also modified the calculation of interest. Interest under the amended Credit Agreement is the greater of BSBY Daily Floating Rate or the Index Floor, plus 1.50 percent (3.10 percent as of June 30, 2022), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. At June 30, 2022 and December 31, 2021, there was no outstanding balance under the Credit Agreement.

The Credit Agreement contains customary financial covenants, including financial covenants relating to our solvency and leverage. In addition, the Credit Agreement restricts certain capital expenditures, lease expenditures, other indebtedness, liens on assets, guarantees, loans and advances, dividends, mergers, consolidations and transfers of assets except as permitted in the Credit Agreement. The Credit Agreement is collateralized by our manufacturing facility, accounts receivable, inventories and other assets. As of June 30, 2022, we were in compliance with the debt covenants set forth in the Credit Agreement.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of $6.0 million (the "Capital Credit Agreement"). On November 19, 2020, we executed on the Capital Credit Agreement and borrowed $3.7 million. We pay interest on any borrowings under the Capital Credit Agreement at a fixed rate of 3.00 percent and are required to settle our borrowings under the Capital Credit Agreement in 36 monthly payments, of $0.1 million. The Capital Credit Agreement is collateralized by any new equipment purchased under the agreement. As of June 30, 2022, there was $1.8 million outstanding balance under the Capital Credit Agreement, of which $1.3 million was classified as current.

(5) Net Income Per Share

Basic net income per common share ("Basic EPS"), is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income per common share.

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three and six months ended June 30, 2022 and 2021 (dollar and share amounts in thousands, except for per share information):

	Three Months Ended June 30,		Six Months Ended June 30,		
	2022	2021	2022		2021
Net income (loss) attributable to common shareholders	$ 516	$ 6,540	$ (2,434)		$ 10,556
Basic weighted average shares outstanding	19,386	19,999	19,479		19,897
Basic earnings (loss) per share attributable to common shareholders	$ 0.03	$ 0.33	$ (0.12)		$ 0.53
Diluted shares outstanding:					
Basic weighted-average shares outstanding	19,386	19,999	19,479		19,897
Stock-based awards	208	504	—		443
Diluted weighted-average shares outstanding	19,594	20,503	19,479		20,340
Diluted earnings (loss) per share attributable to common shareholders	$ 0.03	$ 0.32	$ (0.12)		$ 0.52
Dilutive shares excluded from diluted-per-share amounts:					
Stock options	341	563	—		563
Anti-dilutive shares excluded from diluted-per-share amounts:					
Stock options	25	—	341	**(1)**	—

(1) As a result of the net loss for the six months ended June 30, 2022, no potentially dilutive securities are included in the calculation of diluted loss per share because such effect would be anti-dilutive. Potentially dilutive securities for the six months ended June 30, 2022 include 341 restricted stock units.

Potentially dilutive shares excluded from diluted-per-share amounts include performance-based options to purchase shares of common stock for which certain earnings metrics have not been achieved. Potentially anti-dilutive shares excluded from diluted-per-share amounts include both non-qualified stock options and unearned performance-based options to purchase shares of common stock with exercise prices greater than the weighted- average share price during the period and shares that would be anti-dilutive to the computation of diluted net income per share for each of the periods presented.

(6) Capital Transactions

Dividends

On March 10, 2021, we announced a special non-recurring cash dividend of $1.00 per common share in an aggregate amount of $19.9 million that was paid on April 5, 2021, to shareholders of record on March 29, 2021. In accordance with the provisions of our 2012 Stock Incentive Plan (the "2012 Incentive Plan"), as a result of the special dividend we are required to make the participant's original grant whole by preventing either dilution or enlargement of the benefits or potential benefits intended by the original grant. The 2012 Incentive Plan provides our Compensation Committee with the discretion to meet this requirement. See further discussion in the Share-Based Compensation section of this Note.

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, restrictions imposed by any indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

Share Repurchase Program

On March 10, 2021, we announced a $15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional $30.0 million in common shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the six months ended June 30, 2022 and 2021, we repurchased 741,000 and 77,000 shares of our common stock for $12.0 million and $1.5 million, respectively. At June 30, 2022, the remaining balance available for repurchases under the program was $25.6 million.

Share-Based Compensation

During the year ended December 31, 2012, our shareholders adopted and approved the Nature’s Sunshine Products, Inc. 2012 Stock Incentive Plan. The 2012 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. The Compensation Committee of the Board of Directors has authority and discretion to determine the type of award, as well as the amount, terms and conditions of each award under the 2012 Incentive Plan, subject to the limitations of the 2012 Incentive Plan. A total of 1,500,000 shares of our common stock were originally authorized for the granting of awards under the 2012 Incentive Plan. In 2015, our shareholders approved an amendment to the 2012 Incentive Plan, to increase the number of shares of common stock reserved for issuance by 1,500,000 shares. On May 5, 2021, our shareholders approved the Amended and Restated 2012 Stock Incentive Plan, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The number of shares available for awards, as well as the terms of outstanding awards, are subject to adjustment as provided in the Amended and Restated 2012 Incentive Plan for stock splits, stock dividends, recapitalizations and other similar events.

Stock Options

Our outstanding stock options include time-based stock options, which vest over differing periods of time ranging from the date of issuance to up to 48 months from the option grant date, and performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options.

Stock option activity for the six-month period ended June 30, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Grant Date Fair Value
Options outstanding at December 31, 2021	172	$ 12.13	$ 5.05
Granted	—	—	—
Forfeited or canceled	—	—	—
Exercised	(29)	9.17	3.92
Options outstanding at June 30, 2022	143	$ 12.72	$ 5.28

There was no share-based compensation expense for the three- and six-month periods ended June 30, 2022 and 2021. As of June 30, 2022 and December 31, 2021, there was no unrecognized share-based compensation expense related to the grants described above.

At June 30, 2022, the aggregate intrinsic value of outstanding and exercisable stock options to purchase 143,000 shares of common stock was $41,000. At December 31, 2021, the aggregate intrinsic value of outstanding and exercisable options to purchase 172,000 shares of common stock was $1.1 million.

For the six-month periods ended June 30, 2022 and 2021, we issued 29,000 and 50,000 shares of common stock upon the exercise of stock options at an average exercise price of $9.17 and $12.00 per share, respectively. The aggregate intrinsic value of options exercised during the six-month periods ended June 30, 2022 and 2021, was $0.3 million and $0.4 million, respectively. For the six-month periods ended June 30, 2022 and 2021, the Company recognized $0.1 million and $0.2 million of tax benefits from the exercise of stock options, respectively.

As of June 30, 2022 and December 31, 2021, we did not have any unvested performance-based stock options outstanding.

Restricted Stock Units

Our outstanding restricted stock units ("RSUs"), include time-based RSUs, which vest over differing periods of time ranging from12 months to up to36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to revenue and earnings growth, earnings-per-share, and/or stock price levels. RSUs granted to members of the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting. At June 30, 2022 and December 31, 2021, there were 68,000 and 88,000 vested RSUs, respectively, granted to the Board of Directors with an accompanying restriction period.

Restricted stock unit activity for the six-month period ended June 30, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units outstanding at December 31, 2021	830	$ 9.46
Granted	164	8.87
Forfeited	(68)	5.39
Issued	(329)	7.50
Restricted Stock Units outstanding at June 30, 2022	597	10.84

During the six-month period ended June 30, 2022, we granted164,000 RSUs under the 2012 Incentive Plan to the Board of Directors, executive officers and other employees, which were comprised of both time-based RSUs and share-priced performance-based RSUs. The time-based RSUs were issued with a weighted-average grant date fair value of $13.87 per share and vest in annual installments over a three-year period from the grant date. The share-priced performance-based RSUs were issued with a weighted-average grant date fair value of $6.01 per share and vest upon achieving share-priced targets over a three-year period from the grant date.

Except for share-priced performance RSUs, RSUs are valued at market value on the date of grant, which is the grant date share price discounted for expected dividend payments during the vesting period. For RSUs with post-vesting restrictions, a Finnerty Model was utilized to calculate a valuation discount from the market value of common shares reflecting the restriction embedded in the RSUs preventing the sale of the underlying shares over a certain period of time. Using assumptions previously determined for the application of the option pricing model at the valuation date, the Finnerty Model discount for lack of marketability is approximately 12.9 percent for a common share.

Share-price performance-based RSUs were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved. Our assumptions include a performance period of three years, expected volatility of 50.1 percent, and a risk-free rate of 3.3 percent.

Share-based compensation expense related to time-based RSUs for the three-month periods ended June 30, 2022 and 2021, was approximately $0.3 million and $0.6 million, respectively. Share-based compensation expense related to time-based RSUs for the six-month periods ended June 30, 2022 and 2021, was approximately $0.9 million and $1.0 million, respectively. As of June 30, 2022 and December 31, 2021, the unrecognized share-based compensation expense related to the grants described above, excluding incentive awards discussed below, was $1.4 million and $1.6 million, respectively. The remaining compensation expense is expected to be recognized over the weighted average period of approximately 0.3 years.

Share-based compensation expense related to performance-based RSUs for the three-month periods ended June 30, 2022 and 2021, was $0.2 million and $0.5 million, respectively. Share-based compensation expense related to performance-based RSUs for the six-month periods ended June 30, 2022 and 2021, was $0.5 million and $0.9 million, respectively. Should we attain all of the metrics related to performance-based RSU grants, we would, and expect to, recognize up to $2.4 million of potential share-based compensation expense.

The number of shares issued upon vesting of RSUs granted pursuant to our share-based compensation plans is net of the minimum statutory withholding requirements that we pay on behalf of our employees, which was 80,000 and 121,000 shares for the six-month periods ended June 30, 2022 and 2021, respectively. Although shares withheld are not issued, they are treated as common share repurchases for accounting purposes, 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 repurchase program described above.

(7) Segment Information

We have four business segments (Asia, Europe, North America, and Latin America and Other) based primarily upon the geographic region where each segment operates, as well as the internal organization of our officers and their responsibilities. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy WorldWide® brands. The Latin America and Other segment includes our wholesale business in which we sell products to various locally-managed entities independent of the Company that we have granted distribution rights for the relevant market.

Net sales for each segment have been reduced by intercompany sales as they are not included in the measure of segment profit or loss reviewed by the chief executive officer. We evaluate performance based on contribution margin by segment before consideration of certain inter-segment transfers and expenses.

Reportable business segment information is as follows (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales:				
Asia	$ 47,382	$ 43,536	$ 93,492	$ 79,291
Europe	17,099	21,455	38,876	43,655
North America	34,082	37,372	70,063	75,134
Latin America and Other	5,598	6,615	12,224	13,319
Total net sales	104,161	108,978	214,655	211,399
Contribution margin (1):				
Asia	21,432	18,463	43,371	33,782
Europe	6,595	6,588	10,968	13,384
North America	12,300	16,259	25,019	31,699
Latin America and Other	2,294	3,762	5,195	7,394
Total contribution margin	42,621	45,072	84,553	86,259
Selling, general and administrative expenses (2)	36,866	35,586	77,489	69,138
Operating income	5,755	9,486	7,064	17,121
Other income (loss), net	(442)	529	(756)	(1,404)
Income before provision for income taxes	$ 5,313	$ 10,015	$ 6,308	$ 15,717

(1) Contribution margin consists of net sales less cost of sales and volume incentives expense.

(2) Service fees in China totaled $3.9 million and $8.8 million for the three and six-month periods ended June 30, 2022, respectively, compared to $3.7 million and $6.5 million for the three and six-month periods ended June 30, 2021. These service fees are included in selling, general and administrative expenses.

From an individual country/region perspective, the United States, South Korea and Taiwan comprise 10 percent or more of consolidated net sales for the three and six-month periods ended June 30, 2022 and 2021, as follows (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales:				
United States	$ 31,483	$ 34,378	$ 64,712	$ 69,298
South Korea	14,465	17,546	28,118	32,355
Taiwan	11,933	4,730	21,683	7,499
Other	46,280	52,324	100,142	102,247
	$ 104,161	$ 108,978	$ 214,655	$ 211,399

Net sales generated by each of our product lines is set forth below (dollar amounts in thousands):

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Asia				
General health	$ 12,319	$ 12,698	$ 25,305	$ 23,990
Immune	781	382	2,125	585
Cardiovascular	13,242	12,260	26,872	22,163
Digestive	10,990	7,747	20,026	14,618
Personal care	2,083	5,290	4,626	7,814
Weight management	7,967	5,159	14,538	10,121
	47,382	43,536	93,492	79,291
Europe				
General health	$ 7,328	$ 9,667	$ 16,524	$ 19,139
Immune	1,443	1,818	4,074	3,834
Cardiovascular	2,150	2,836	4,783	5,828
Digestive	4,481	5,567	10,072	11,107
Personal care	1,209	999	2,442	2,425
Weight management	488	568	981	1,322
	17,099	21,455	38,876	43,655
North America				
General health	$ 14,954	$ 16,349	$ 30,268	$ 32,619
Immune	4,061	4,101	8,933	8,975
Cardiovascular	3,893	4,010	7,735	8,235
Digestive	9,044	10,016	17,638	19,479
Personal care	1,389	1,834	3,564	3,653
Weight management	741	1,062	1,925	2,173
	34,082	37,372	70,063	75,134
Latin America and Other				
General health	$ 1,597	$ 1,873	$ 3,415	$ 3,848
Immune	755	697	1,516	1,508
Cardiovascular	455	425	812	903
Digestive	2,551	3,001	5,392	5,872
Personal care	80	398	721	743
Weight management	160	221	368	445
	5,598	6,615	12,224	13,319
	$ 104,161	$ 108,978	$ 214,655	$ 211,399

From an individual country perspective, only the United States comprised 10 percent or more of consolidated property, plant and equipment as follows (dollar amounts in thousands):

	June 30, 2022	December 31, 2021
Property, plant and equipment:		
United States	$ 45,036	$ 46,595
Other	4,063	4,262
Total property, plant and equipment, net	$ 49,099	$ 50,857

Total assets per segment is set forth below (dollar amounts in thousands):

	June 30, 2022	December 31, 2021
Assets:		
Asia	$ 91,762	$ 104,659
Europe	14,771	15,486
North America	119,018	131,207
Latin America and Other	7,508	7,522
Total assets	$ 233,059	$ 258,874

(8) Income Taxes

For the three months ended June 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 32.1 percent and 32.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent. For the six months ended June 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 127.5 percent and 30.4 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and six months ended June 30, 2022, was primarily attributed to recording a valuation allowance against deferred tax assets which are expected to expire before utilization.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and six months ended June 30, 2021, was primarily attributed to transfer pricing adjustments and foreign losses during those periods that were not expected to provide future tax benefit, as well as net unfavorable foreign tax related items.

The difference between the effective tax rate for the three and six months ended June 30, 2022 compared to June 30, 2021 is primarily caused by recording a valuation allowance in the current period against deferred tax assets which are expected to expire before utilization.

Our U.S. federal income tax returns for 2018 through 2020 are open to examination for federal tax purposes. We have several foreign tax jurisdictions with open tax years from 2016 through 2021.

As of June 30, 2022 and December 31, 2021, we donot have any amounts accrued for unrecognized tax positions.

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although we believe our tax estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which we make such determination.

(9) Commitments and Contingencies

Legal Proceedings

We are party to various legal proceedings and disputes. Management cannot predict the ultimate outcome of these matters, individually or in the aggregate, or their resulting effect on our business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on our business, financial position, results of operations, or cash flows for the period in which the ruling occurs and/or future periods. We maintain product liability, general liability and excess liability insurance coverage. However, insurance may not continue to be available at an acceptable cost to us, such coverage may not be sufficient to cover one or more large claims, or the insurers may successfully disclaim coverage as to a pending or future claim.

Non-Income Tax Contingencies

We have reserved for certain state sales and use tax and foreign non-income tax contingencies based on the likelihood of an obligation in accordance with accounting guidance for probable loss contingencies. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. We provide provisions for potential payments of tax to various tax authorities for contingencies related to non-income tax matters, including value-added taxes and sales tax. We provide provisions for U.S. state sales taxes in each of the states where we have nexus. As of June 30, 2022 and December 31, 2021, accrued liabilities were $0.2 million and $0.2 million, respectively, related to non-income tax contingencies. While we believe that the assumptions and estimates used to determine contingent liabilities are reasonable, the ultimate outcome of these matters cannot presently be determined. We believe future payments related to these matters could range from $0 to approximately $2.8 million.

Other Litigation

We are a party to various other legal proceedings and disputes in the United States and foreign jurisdictions. As of June 30, 2022 and December 31, 2021, accrued liabilities were $0.5 million, related to the estimated outcome of these proceedings. In addition, we are a party to other litigation where there is a reasonable possibility that a loss may be incurred, but either the losses are not considered to be probable or we cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. We believe future payments related to these matters could range from $0 to approximately $0.4 million.

(10) Related Party Transactions

During the three and six months ended June 30, 2022 and 2021, our joint venture in China, owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma, did not borrow any amounts from the Company or our joint venture partner. As of June 30, 2022 and December 31, 2021 outstanding borrowings by NSP China from the Company were $0 and $1.2 million, respectively. As of June 30, 2022 and December 31, 2021 outstanding borrowings by NSP China from our joint venture partner were $0 and $0.3 million, respectively. These notes were payable in less than one year and bore interest of 3.0 percent. The notes between NSP China and the Company eliminated in consolidation. In March 2022 the outstanding principal and interest amounts were repaid.

(11) Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values of each financial instrument. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of June 30, 2022 (dollar amounts in thousands):

	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Investment securities - trading	$ 743	$ —	$ —	$ 743
Total assets measured at fair value on a recurring basis	$ 743	$ —	$ —	$ 743

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of December 31, 2021 (dollar amounts in thousands):

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Investment securities - trading	$ 964	$ —	$ —	$ 964
Total assets measured at fair value on a recurring basis	$ 964	$ —	$ —	$ 964

Investment securities - trading — Our trading portfolio consists of various marketable securities that are valued using quoted prices in active markets.

For the six months ended June 30, 2022 and for the year ended December 31, 2021, there were no fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

The carrying amounts reflected on the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. The carrying value of our debt approximates fair value due to its recent acquisition and short maturity. During the six months ended June 30, 2022 and 2021, we did not have any re-measurements of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

(12) Revenue Recognition

Revenue Recognition

Net sales include sales of products and shipping and handling charges, net of estimates for product returns and any related sales incentives or rebates based upon historical information and current trends. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at shipping point, the point in time the customer obtains control of the products. The majority of our contracts have a single performance obligation and are short term in nature. Contracts with multiple performance obligations are insignificant. Sales taxes and value-added taxes in the United States and foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales. Amounts received for unshipped merchandise are recorded as deferred revenue. Amounts for membership fees are deferred and amortized as revenue over the life of the membership, primarily one year.

A reserve for product returns is recorded based upon historical experience and current trends. We allow independent consultants to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of our markets, the requirements to return product are more restrictive.

From time to time, our U.S. operations extend short-term credit associated with product promotions. In addition, for certain of our international operations, we offer credit terms consistent with industry standards within the country of operation.

Volume incentives and other sales incentives or rebates are a significant part of our direct sales marketing program and represent commission payments made to independent consultants. These payments are designed to provide incentives for reaching higher sales levels. The amount of volume incentive expense recognized is determined based upon the amount of qualifying purchases in a given month and recorded as volume incentive expense. Payments to independent consultants for sales incentives or rebates related to their own purchases are recorded as a reduction of revenue. Some payments for sales incentives are processed daily; while others, including rebates, are calculated monthly based upon qualifying sales.

Contract Liabilities - Customer Loyalty Programs

Historically, we have offered loyalty point programs which allowed customers to earn loyalty points on personal orders. Loyalty points were recorded as contract liabilities in deferred revenue. These programs were accounted for as a reduction in the transaction price and generally recognized as points that were redeemed for additional products. During the year ended December 31, 2020 these programs were discontinued. As of June 30, 2022, there were no outstanding loyalty points.

Disaggregation of Revenue

Our products are grouped into six principal categories: general health, immune, cardiovascular, digestive, personal care and weight management. We havefour business segments that are based primarily upon the geographic region where each segment operates. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy WorldWide® brands. See Note 7, Segment Information, for further information on our reportable segments and presentation of disaggregated revenue by reportable segment and product category.

Practical Expedients and Exemptions

We have made the accounting policy election to treat shipping and handling as a fulfillment activity rather than a promised service under Topic 606.

We generally expense volume incentives when incurred because the amortization period would have been one year or less.

All of our contracts with customers have a duration of less thanone year. The value of any unsatisfied performance obligations is insignificant.

Item 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following Management's Discussion and Analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this report, as well as the consolidated financial statements, the notes thereto, and management's discussion and analysis included in our Annual Report on Form 10-K for the year ended December 31, 2021, and our other reports filed since the date of such Form 10-K.

OVERVIEW

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products directly to customers and to a sales force of independent consultants who resell our products to consumers.

Our independent consultants market and sell our products to customers and sponsor other independent consultants who also market our products to customers. Because a significant amount of revenue is generated through the sales or our independent consultants, our revenue can be impacted by the number and productivity of our independent consultants. We seek to motivate and provide incentives to our independent consultants by offering high quality products, product support, training seminars, and financial incentives, among other considerations.

COVID-19

In or about December 2019, a novel strain of coronavirus, SARS-CoV-2 "COVID-19", began aggressively spreading throughout the world, including all the primary markets where we conduct business. As COVID-19 has spread throughout the world, it has impacted our markets differently. At various times during the course of the pandemic and throughout our markets, governments have issued orders and restrictions that have limited the ability of our consultants to meet with consumers, put downward pressure on our sales in many of our markets and added substantial uncertainties to our global supply chain. Different variants of COVID-19 continue to arise and spread in various places around the world. We continue to take actions to mitigate the effects COVID-19 may have on our business, such actions may ultimately be insufficient to avoid substantial impact on the consolidated financial statement or material health of the Company. At this time, the duration of any business disruption and related financial impact cannot be reasonably estimated.

Eastern Europe

On February 24, 2022, Russian forces launched significant military action against Ukraine. There continues to be sustained conflict and disruption in the region, which is expected to endure for the foreseeable future. Our consultants in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, continue to operate their independent businesses, albeit at a reduced level than prior to the start of the conflict. For the six months ended June 30, 2022, we have recorded a pretax charge of $3.1 million, primarily related to the impairment of inventory, as well as accruals for contractual obligations related to Russian operations. We expect that this will continue to impact our business for the foreseeable future. We will continue monitoring the social, political, regulatory and economic environment in Ukraine and Russia, and will consider further actions as appropriate.

Net sales related to Russia and Other for the three and six months ended June 30, 2022, were $11.1 million and $25.6 million, respectively, compared to $14.0 million and $28.3 million for the same periods in 2021. Operating income related to Russia and Other for the three and six months ended June 30, 2022, was $1.0 million and $2.2 million, respectively, prior to the charges noted above, compared to $1.4 million and $2.7 million for the same periods in 2021. As of June 30, 2022, Russia and Other had assets of $5.2 million, net of working capital reserves, which primarily consisted of inventories and accounts receivable.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation escalate beyond its current scope, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

Inflation

In 2021, the inflation rate in the U.S. began to increase significantly. In 2022, the inflation rate increase accelerated and during the six months ended June 30, 2022, was the highest in 40 years. Europe and other areas in which we do business are also experiencing higher levels of inflation. Our operations have been, and may continue to be, adversely impacted by inflation, primarily from higher costs of raw materials, labor, production, distribution and transportation costs.

In the second quarter of 2022, we experienced a decrease in our consolidated net sales of 4.4 percent (or an increase of 0.5 percent in local currencies) compared to the same period in 2021. Asia net sales increased approximately 8.8 percent (or 18.8 percent in local currencies) compared to the same period in 2021. Europe net sales decreased approximately 20.3 percent (or 16.2 percent in local currencies) compared to the same period in 2021. North America net sales decreased approximately 8.8 percent (or 8.5 percent in local currencies) compared to the same period in 2021. Latin America and Other net sales decreased approximately 15.4 percent (or 15.0 percent in local currencies) compared to the same period in 2021. The strengthening of the U.S. dollar versus the local currencies, primarily in our Asian and European markets, resulted in an approximate 4.9 percent, or $5.4 million, decrease of our net sales during the quarter.

Cost of sales increased $1.0 million during the three months ended June 30, 2022, compared to the same period in 2021, and as a percentage of net sales were 28.3 percent and 26.1 percent for the three months ended June 30, 2022 and 2021, respectively. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves, changes in market mix, heightened inflation, and increases in raw materials, production and transportation costs. For the six months ended June 30, 2022, we had incremental valuation charges of $5.0 million related to inventory. Of that amount $2.7 million related to the conflict between Russia and Ukraine, and $2.3 million related to changes in forecast demand and production issues, among other factors.

In absolute terms, selling, general and administrative expenses increased $1.3 million during the three months ended June 30, 2022, compared to the same period in 2021, and as a percentage of net sales were 35.4 percent and 32.7 percent for the three months ended June 30, 2022 and 2021, respectively. The dollar increase was primarily related to higher service fees that resulted from growth in China's net sales, increased selling costs and direct marketing spend intended to drive growth, increase in expected level of convention and distributor events, as well as growth in markets with higher variable costs.

As an international business, we have significant sales and costs denominated in currencies other than the U.S. Dollar. We expect foreign markets with functional currencies other than the U.S. Dollar will continue to represent a substantial portion of our overall sales and related operating expenses. Accordingly, changes in foreign currency exchange rates could materially affect sales and costs or the comparability of sales and costs from period to period as a result of translating foreign markets financial statements into our reporting currency.

RESULTS OF OPERATIONS

The following table summarizes our unaudited consolidated operating results from continuing operations in U.S. dollars and as a percentage of net sales for the three months ended June 30, 2022 and 2021 (dollar amounts in thousands):

	Three Months Ended June 30, 2022		Three Months Ended June 30, 2021		Change	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Total dollars	Percentage
Net sales	$ 104,161	100.0 %	$ 108,978	100.0 %	$ (4,817)	(4.4) %
Cost of sales	29,471	28.3	28,463	26.1	1,008	3.5
Gross profit	74,690	71.7	80,515	73.9	(5,825)	(7.2)
Volume incentives	32,069	30.8	35,443	32.5	(3,374)	(9.5)
SG&A expenses	36,866	35.4	35,586	32.7	1,280	3.6
Operating income	5,755	5.5	9,486	8.7	(3,731)	(39.3)
Other income (loss), net	(442)	(0.4)	529	0.5	(971)	(183.6)
Income before income taxes	5,313	5.1	10,015	9.2	(4,702)	(46.9)
Provision for income taxes	4,361	4.2	3,221	3.0	1,140	35.4
Net income	$ 952	0.9 %	$ 6,794	6.2 %	$ (5,842)	(86.0) %

The following table summarizes our unaudited consolidated operating results from continuing operations in U.S. dollars and as a percentage of net sales for the six months ended June 30, 2022 and 2021 (dollar amounts in thousands):

	Six Months Ended June 30, 2022		Six Months Ended June 30, 2021		Change	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Total dollars	Percentage
Net sales	$ 214,655	100.0 %	$ 211,399	100.0 %	$ 3,256	1.5 %
Cost of sales	63,931	29.8	55,442	26.2	8,489	15.3
Gross profit	150,724	70.2	155,957	73.8	(5,233)	(3.4)
Volume incentives	66,171	30.8	69,698	33.0	(3,527)	(5.1)
SG&A expenses	77,489	36.1	69,138	32.7	8,351	12.1
Operating income	7,064	3.3	17,121	8.1	(10,057)	(58.7)
Other loss, net	(756)	(0.4)	(1,404)	(0.7)	648	46.2
Income before income taxes	6,308	2.9	15,717	7.4	(9,409)	(59.9)
Provision for income taxes	8,042	3.7	4,771	2.3	3,271	68.6
Net income (loss)	$ (1,734)	(0.8) %	$ 10,946	5.2 %	$ (12,680)	(115.8) %

Net Sales

International operations have provided, and are expected to 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 present net sales excluding the impact of foreign exchange fluctuations. We compare the percentage change in net sales from one period to another period by excluding the effects of foreign currency exchange as shown below. Net sales excluding the impact of foreign exchange fluctuations is not a U.S. GAAP financial measure and removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the functional 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 the impact of foreign currency fluctuations is useful to investors because it allows a more meaningful comparison of net sales of our foreign operations from period to period. However, net sales excluding the impact of foreign currency fluctuations 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. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. See Item 3. *Quantitative and Qualitative Disclosures about Market Risk*.

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales excluding the impact of currency fluctuations for the three months ended June 30, 2022 and 2021 (dollar amounts in thousands):

	Net Sales by Operating Segment				
	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	$ 47,382	$ 43,536	8.8 %	$ (4,358)	18.8 %
Europe	17,099	21,455	(20.3)	(887)	(16.2)
North America	34,082	37,372	(8.8)	(102)	(8.5)
Latin America and Other	5,598	6,615	(15.4)	(25)	(15.0)
	$ 104,161	$ 108,978	(4.4)%	$ (5,372)	0.5 %

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales excluding the impact of currency fluctuations for the six months ended June 30, 2022 and 2021 (dollar amounts in thousands):

	Net Sales by Operating Segment				
	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	$ 93,492	$ 79,291	17.9 %	$ (6,208)	25.7 %
Europe	38,876	43,655	(10.9)	(1,441)	(7.6)
North America	70,063	75,134	(6.7)	(103)	(6.6)
Latin America and Other	12,224	13,319	(8.2)	(87)	(7.6)
	$ 214,655	$ 211,399	1.5 %	$ (7,839)	5.2 %

Consolidated net sales for the three and six months ended June 30, 2022, were $104.2 million and $214.7 million, respectively, compared to $109.0 million and $211.4 million for the same period in 2021, which represents decreases of 4.4 percent and increases of 1.5 percent, respectively. The decrease for the three months ended June 30, 2022, was primarily related to product sales declines in our Europe, North America, and Latin America and Other operating segments. The increase for the six months ended June 30, 2022, was primarily related to notable product sales growth in our Asia operating segment. Excluding the impact of foreign currency exchange rate fluctuations, consolidated net sales for the three and six months ended June 30, 2022, increased 0.5 percent and 5.2 percent, respectively, from the same periods in 2021.

Asia

Net sales related to Asia for the three and six months ended June 30, 2022, were $47.4 million and $93.5 million, respectively, compared to $43.5 million and $79.3 million for the same periods in 2021, or increases of 8.8 percent and 17.9 percent, respectively. In local currency, net sales for the three and six months ended June 30, 2022, increased 18.8 percent and 25.7 percent, respectively, compared to the same periods in 2021.
Notable activity in the following markets contributed to the results of Asia:

In our South Korea market, net sales decreased $3.1 million and $4.2 million, or 17.6 percent and 13.1 percent, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. In local currency, net sales for the three and six months ended June 30, 2022, decreased 7.6 percent and 4.2 percent, respectively, compared to the same periods in 2021. The decrease in local currency for the three and six months ended June 30, 2022, was primarily the result of government restrictions in the market intended to slow the spread of COVID-19, which were not lifted until the second quarter.

In our Taiwan market, net sales increased $7.2 million and $14.2 million, or 152.3 percent and 189.1 percent, for the three and six months ended June 30, 2022, compared to the same periods in 2021. In local currencies, net sales for the three and six months ended June 30, 2022, increased 163.7 percent and 195.9 percent, compared to the same periods in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

In our Japan market, net sales increased $1.5 million and $3.1 million, or 17.5 percent and 19.1 percent, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. In local currencies, net sales for the three and six months ended June 30, 2022, increased 38.0 percent and 35.5 percent, respectively, compared to the same periods in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

In our China market, net sales decreased $0.8 million and increased $3.1 million, or decreased 7.9 percent and increased 16.7 percent, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. In local currencies, net sales for the three and six months ended June 30, 2022, increased decreased 5.7 percent and increased 16.8 percent, respectively, compared to the same periods in 2021. The decrease in net sales for the three months ended June 30, 2022, was primarily the result of additional government restrictions in the market intended to slow the spread of COVID-19, which included lockdowns during the second quarter. We attribute the growth in net sales for the six months ended June 30, 2022, primarily to initiatives designed to increase independent service providers' engagement levels and gain market share.

Europe

Net sales related to Europe for the three and six months ended June 30, 2022, were $17.1 million and $38.9 million, respectively, compared to $21.5 million and $43.7 million for the same periods in 2021, or decreases of 20.3 percent and 10.9 percent, respectively. In local currency, net sales for the three and six months ended June 30, 2022, decreased 16.2 percent and 7.6 percent, respectively, compared to the same periods in 2021. The functional currency for many of these markets is the U.S. Dollar which reduces the effect from foreign currency fluctuations. Fluctuations in foreign exchange rates had unfavorable impacts on net sales of $0.9 million and $1.4 million for the three and six months ended June 30, 2022, respectively. Net sales decreased primarily as a result of conflict between Russia and Ukraine which has placed significant financial pressures on the surrounding Western and Eastern Europe markets, and customer sensitivity due to inflationary pressures, among other factors.

North America

Net sales related to North America for the three and six months ended June 30, 2022, were $34.1 million and $70.1 million, respectively, compared to $37.4 million and $75.1 million for the same periods in 2021, or decreases of 8.8 percent and 6.7 percent, respectively. In local currency, net sales for the three and six months ended June 30, 2022, decreased 8.5 percent and 6.6 percent, respectively, compared to the same periods in 2021.

In the United States, net sales decreased $2.9 million and $4.6 million, or 8.4 percent and 6.6 percent, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. The decrease in sales was due primarily to stock outs of certain products as a result of supply chain challenges, and a reduction in the average order size attributed to customer sensitivity due to inflationary pressures, among other factors.

Latin America and Other

Net sales related to Latin America and Other markets for the three and six months ended June 30, 2022, were $5.6 million and $12.2 million, respectively, compared to $6.6 million and $13.3 million for the same periods in 2021, or decreases of 15.4 percent and 8.2 percent, respectively. In local currency, net sales for the three and six months ended June 30, 2022, decreased 15.0 percent and 7.6 percent, respectively, compared to the same periods in 2021. Fluctuations in foreign currency had unfavorable impacts on net sales of $25,000 and $0.1 million for the three and six months ended June 30, 2022, respectively. The decrease in sales was due primarily to stock outs of certain products as a result of supply chain challenges, and a reduction in the average order size attributed to customer sensitivity due to inflationary pressures, among other factors.

Further information related to our Asia, Europe, North America, and Latin America and Other business segments is set forth in Note 7 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report.

Cost of Sales

Cost of sales as a percent of net sales was 28.3 percent and 29.8 percent for the three and six months ended June 30, 2022, compared to 26.1 percent and 26.2 percent for the same periods in 2021. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves as a result of the conflict between Russia and Ukraine, as well as reserves for other markets, changes in market mix, persistent inflation, and increases in raw materials, production and transportation costs. For the six months ended June 30, 2022, we had incremental valuation charges of $5.0 million related to inventory. Of that amount $2.7 million related to the conflict between Russia and Ukraine, and $2.3 million related to changes in forecast demand and production issues, among other factors.

Volume Incentives

Volume incentives expense as a percent of net sales was 30.8 percent and 30.8 percent for the three and six months ended June 30, 2022, respectively, compared to 32.5 percent and 33.0 percent for the same periods in 2021. These payments are designed to provide incentives for reaching certain sales levels. Volume incentives vary slightly, on a percentage basis, by product due to pricing policies and commission plans in place in our various operations. We do not pay volume incentives in China, instead we pay independent service fees which are included in selling, general and administrative expenses. Volume incentives as a percentage of net sales can fluctuate based on promotional activity and mix of sales by market. The decrease in volume incentives as a percent of net sales for the three and six months ended June 30, 2022 is primarily due to change in market mix, reflecting growth in markets where volume incentives as a percentage of net sales are lower than the consolidated average, and the growth in NSP China. The decrease also reflects cost savings from the September 2020 launch of our new consultant sales and compensation plan in North America and LATAM.

Selling, General and Administrative

Selling, general and administrative expenses represent operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, marketing, occupancy costs, communications costs, bank fees, depreciation and amortization, independent services fees paid in China, and other miscellaneous operating expenses.

Selling, general and administrative expenses increased by $1.3 million and $8.4 million, respectively, to $36.9 million and $77.5 million for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. Selling, general and administrative expenses were 35.4 percent and 36.1 percent of net sales for the three and six months ended June 30, 2022, compared to 32.7 percent and 32.7 percent for the same periods in 2021. The dollar increase in selling, general and administrative expenses was primarily related to higher service fees that resulted from growth in China's net sales, increased selling costs and direct marketing spend intended to drive growth, increase in expected level of convention and distributor events, as well as growth in markets with higher variable costs.

Other Income (Loss), Net

Other income (loss), net, for the three and six months ended June 30, 2022, were losses of $0.4 million and $0.8 million, respectively, compared to gains of $0.5 million and losses of $1.4 million during the same periods in 2021, respectively. Other income (loss), for the three and six months ended June 30, 2022 primarily consisted of foreign exchange gains and losses as a result of net changes in foreign currencies primarily in Asia, Europe and Latin America.

Income Taxes

For the three months ended June 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 82.1 percent and 32.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent. For the six months ended June 30, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 127.5 percent and 30.4 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and six months ended June 30, 2022, was primarily attributed to recording a valuation allowance against deferred tax assets which are expected to expire before utilization.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three and six months ended June 30, 2021, was primarily attributed to an increase in tax liability associated with transfer pricing adjustments, nondeductible executive compensation, and net unfavorable foreign tax related items, partially offset by favorable deductions for stock compensation.

The difference between the effective tax rate for the three and six months ended June 30, 2022 compared to June 30, 2021 is primarily caused by recording a valuation allowance in the current period against deferred tax assets which are expected to expire before utilization.

Our U.S. federal income tax returns for 2018 through 2020 are open to examination for federal tax purposes. We have several foreign tax jurisdictions that have open tax years from 2016 through 2021.

As of June 30, 2022 and December 31, 2021, we do not have any amounts accrued for unrecognized tax positions.

Product Categories

Our line of over 700 products includes several different product classifications, such as immune, cardiovascular, digestive, personal care, weight management and other general health products. We purchase herbs and other raw materials in bulk and, after quality control testing, we formulate, encapsulate, tablet or concentrate them, label and package them for shipment. Most of our products are manufactured at our facility in Spanish Fork, Utah. Contract manufacturers produce some of our products in accordance with our specifications and standards. We have implemented quality control procedures to verify that our contract manufacturers have complied with our specifications and standards.

See Note 7, Segment Information, for a summary of the U.S. dollar amounts from the sale of general health, immune, cardiovascular, digestive, personal care and weight management products for the three and six months ended June 30, 2022 and 2021, by business segment.

Distribution and Marketing

We market our products primarily through our network of independent consultants, who market our products to customers through direct selling techniques and sponsor other independent consultants who also market our products to customers. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

Our products sold in the United States are shipped directly from our manufacturing and warehouse facilities located in Spanish Fork, Utah, as well as from our regional warehouses located in Georgia, Ohio and Texas. Many of our international operations maintain warehouse facilities and inventory to supply their independent consultants. However, in foreign markets where we do not maintain warehouse facilities, we have contracted with third-parties to distribute our products and provide support services to our force of independent consultants.

In the United States, we generally sell our products on a cash or credit card basis. From time to time, our U.S. operations extend short-term credit associated with product promotions. For certain of our international operations, we use independent distribution centers and offer credit terms that are generally consistent with industry standards within each respective country.

We pay sales commissions, or “volume incentives” to our independent consultants based upon their own product sales and the product sales of their sales organization. As an exception, in NSP China, we do not pay volume incentives; rather, we pay independent service fees, which are included in selling, general and administrative expenses. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the quarters ended June 30, 2022 and 2021, are set forth in the Condensed Consolidated Financial Statements in Item 1 of this report. In addition to the opportunity to receive volume incentives, independent Managers who attain certain levels of monthly product sales are eligible for additional incentive programs including automobile allowances, sales convention privileges and travel awards.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of June 30, 2022, working capital was $78.0 million, compared to $88.0 million as of December 31, 2021. At June 30, 2022, we had $56.3 million in cash, of which $4.9 million was held in the U.S. and $51.4 million was held in foreign markets and may be subject to various withholding taxes and other restrictions related to repatriation before becoming available to be used along with the normal cash flows from operations to fund any unanticipated shortfalls in future cash flows.

Our net consolidated cash inflows (outflows) are as follows (in thousands):

	Six Months Ended June 30,	
	2022	2021
Operating activities	$ (9,343)	$ 10,712
Investing activities	(3,757)	(2,898)
Financing activities	(14,018)	(23,630)

Operating Activities

For the six months ended June 30, 2022, operating activities used cash of $9.3 million, compared to providing cash of $10.7 million in the same period in 2021. Operating cash flows decreased primarily due to increased inventory purchases before any changes in reserves and timing of payments on accounts payable, deferred revenue, and income taxes payable partially offset by the timing of accrued volume incentives and service fees, and accrued liabilities.

Investing Activities

For the six months ended June 30, 2022, investing activities used $3.8 million, compared to $2.9 million for the same period in 2021, which consisted of capital expenditures related to the purchase of equipment, computer systems and software.

Financing Activities

For the six months ended June 30, 2022, financing activities used $14.0 million, compared to $23.6 million in cash for the same period in 2021.

During the six months ended June 30, 2022, we used cash to repurchase 741,000 shares of our common stock under the share repurchase program for $12.0 million. At June 30, 2022, the remaining balance available for repurchases under the program was $25.6 million.

We maintain a revolving credit agreement with Bank of America, N.A (the “Credit Agreement”), as well as a credit agreement with Banc of America Leasing and Capital, LLC (the "Capital Credit Agreement"). At June 30, 2022, there was no outstanding balance under the Credit Agreement. During the six months ended June 30, 2022 we made monthly payments of $0.1 million pursuant to the Capital Credit Agreement. As of June 30, 2022, there was $1.8 million outstanding balance under the Capital Credit Agreement, $1.3 million of which was classified as current. Our debt obligations are discussed in greater detail in Note 4, “Revolving Credit Facility and Other Obligations,” to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

We believe that cash generated from operations, along with available cash and cash equivalents, will be sufficient to fund our normal operating needs, including capital expenditures, on both a short- and long-term basis.

In addition, other things such as a prolonged economic downturn, a decrease in demand for our products, an unfavorable settlement of our unrecognized tax positions or non-income tax contingencies could adversely affect our long-term liquidity.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. We have discussed the development, selection and disclosure of these estimates with the Board of Directors and our Audit Committee.

A summary of our significant accounting policies is provided in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2021. We believe the critical accounting policies and estimates described below reflect our more significant estimates and assumptions used in the preparation of the consolidated financial statements. The impact and any associated risks on our business that are related to these policies are also discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect reported and expected financial results.

Revenue Recognition

Our revenue recognition practices are discussed in Note 12,"Revenue Recognition," to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

Inventories

Inventories are adjusted to lower of cost and net realizable value, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions. If future demand and market conditions are less favorable than our assumptions, additional inventory adjustments could be required.

Incentive Trip Accrual

We accrue for expenses associated with our direct sales program, which rewards independent consultants with paid attendance for incentive trips, including our conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded.

Contingencies

We are involved in certain legal proceedings and disputes. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated with a range, we record our best estimate within the range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the potential liability related to the contingency and revise the estimates. Revision in estimates of the potential liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 10, "Commitments and Contingencies", to the Notes of our Condensed Consolidated Financial Statements, of Item 1, Part 1 of this report.

Income Taxes

Our provision for income taxes, deferred tax assets and liabilities and contingent reserves reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining our consolidated provision for income taxes.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income, and are consistent with the plans and estimates that we are using to manage the underlying businesses. Valuation allowances are recorded as reserves against net deferred tax assets by us when it is determined that net deferred tax assets are not likely to be realized in the foreseeable future.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

Item 3 ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We conduct business in several countries and intend to grow our international operations. Net sales, operating income and net income are affected by fluctuations in currency exchange rates, interest rates and other uncertainties inherent in doing business and selling product in more than one currency. In addition, our operations are exposed to risks associated with changes in social, political and economic conditions inherent in international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment. For further information, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. ***CONTROLS AND PROCEDURES***

Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2022. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2022, at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

None.

Item 1A. *RISK FACTORS*

In addition to the information set forth in this report, you should carefully consider the risks discussed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, which could have a material adverse effect on our business or consolidated financial statements, results of operations, and cash flows. Additional risks not currently known, or risks that are currently believed to be not material, may also impair business operations. There have been no material changes to our risk factors since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021, except as set forth below.

Geopolitical issues, conflicts and other global events could adversely affect our results of operations and financial condition.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts. Such political issues and conflicts could have a material adverse effect on our results of operations and financial condition if they escalate in areas in which we do business. In addition, changes in and adverse actions by governments in foreign markets in which we do business could have a material adverse effect on our results of operations and financial condition.

Russia’s invasion of Ukraine and the continuing war between Russia and Ukraine has negatively impacted our operations in both countries and the region. In fiscal 2021, operations in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, accounted for 13.8% of net sales. As of June 30, 2022, Russia and Other had assets of $5.2 million which primarily consisted of inventories and accounts receivable. We are unable to estimate future impacts to our business due to the high level of uncertainty as to how the war will evolve, its duration, and its ultimate resolution. Within Ukraine, there is a possibility of loss of life, physical damage and destruction of property, and loss of earning opportunities for many of our independent distributors and dealers. We may not be able to operate in many areas due to damage and safety concerns. Within Russia, we may need to further reduce our operations due to sanctions and counter sanctions, currency or payment controls, and supply chain challenges. Certain suppliers, vendors, independent distributors and customers are all impacted by the war and their ability to successfully maintain their operations could also impact our results of operations or product sales throughout the world.

The ongoing coronavirus pandemic and the responses thereto around the world could adversely impact our business and operating results.

Throughout the COVID-19 pandemic, governments around the world have issued orders restricting travel, the number of people who may gather, or for their citizens to shelter-in-place to slow the spread of COVID-19. Such orders, restrictions and recommendations have resulted in widespread closures of businesses not deemed “essential,” work stoppages, limitations on the number of people allowed to gather in one location, slowdowns and delays in world-wide supply chains, work-from-home policies, travel restrictions and cancellation of events, among other effects. In particular, travel and logistics restrictions, shelter-in-place orders and other measures, including working remotely, social distancing and other policies implemented in foreign and domestic sites to protect the health and safety of employees, have resulted in, and are expected to continue to result in, transportation disruptions (such as reduced availability of air transport, port closures, and increased border controls or closures), production delays and capacity limitations at our facilities and some of our customers and suppliers, as well as reduced workforce availability or productivity. These and other adverse impacts on our supply chain could limit our ability to obtain required materials in a timely manner, maintain adequate inventory levels, and respond to changes in customer demand, which could adversely affect our business and result of operations.

The duration and extent of COVID-19’s impact on our business are difficult to assess or predictConditions vary significantly by geography, and the continued rise of COVID-19 variants and associated spread have resulted in additional disruptions, government lockdowns, and other restrictive measures. For example, late in the first quarter of 2022, and into the second quarter, an increase in COVID-19 cases in certain parts of China resulted in the re-imposition of widespread lock-downs and restrictions. Stay-at-home and quarantine mandates have disrupted or halted our operations in certain parts of China and may continue to impact our business in the near term. Further quarantines, government reactions or shutdowns could disrupt or halt our operations and materially harm our business, financial condition and results of operations. Our manufacturing personnel and other employees could also be affected by COVID-19, potentially reducing their availability, and a widespread outbreak of COVID-19 among our manufacturing or supply-chain employees could disrupt or halt our operations. Further, restrictions on gatherings of individuals may limit the ability of our independent consultants to sell our products. Additionally, the procedures we take to mitigate the effect of COVID-19 on our workforce, including but not limited to, social distancing and additional sanitizing measures, could reduce the efficiency of our operations, increase our operating costs or prove insufficient to protect our employees.

High inflation and other difficult economic conditions could adversely affect our results of operations and financial condition.

Consumer spending, including spending for our products, is affected by, among other things, prevailing economic conditions, including, among others, unemployment rates, inflation, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. The rate of inflation has recently reached its highest level in the U.S. in over forty years. Europe and other areas in which we do business are also experiencing higher than desired inflation. Inflation may require consumers to reconsider purchases of items they consider nonessential and, as a result, consumers may purchase fewer of our products if they consider our products nonessential. We believe high levels of inflation in the U.S. and other regions in which we do business have resulted, and will continue to result, in increased input costs and lower net sales of our products. We may not be able to pass any inflation-related increases on to customers without adversely affecting net sales. A prolonged period of high inflation, recession, and other unfavorable economic conditions that adversely affect the ability of consumers to pay for our products could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Item 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

The following table summarizes the purchases of our common stock during the fiscal quarter ended June 30, 2022:

Periods	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[(1)] (in thousands)
April 1, 2022 to April 31, 2022	76	$ 16.86	76	
May 1, 2022 to May 31, 2022	130	13.21	130	
June 1, 2022 to June 30, 2022	84	$ 11.84	84	
Total	290		290	$ 25,604

(1) On March 10, 2021, we announced a $15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional $30.0 million shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. We purchased 290,000 shares of our common stock during the quarter ended June 30, 2022 under the terms of this Board approved plan.

The actual timing, number, and value of common shares repurchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to repurchase any common shares under the authorization, and the repurchase plan may be suspended, discontinued, or modified at any time for any reason.

Item 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

Item 5. *OTHER INFORMATION*

None.

Item 6. ***EXHIBITS***

a) Index to Exhibits

Item No.	Exhibit
10.1 (1)	Amendment to Operating Agreement of Nature's Sunshine Hong Kong Limited, dated August 13, 2021
10.2 (2)	Form - Restricted Stock Unit Award Agreement
10.3 (2)	Form - Performance Share Unit Award Agreement
31.1(2)	Certification of Chief Executive Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934
31.2(2)	Certification of Chief Financial Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934
32.1(2)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2(2)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover page Interactive Data File (the cover page XBRL tags are embedded within iXBRL (Inline Extensible Business Reporting Language) document)

(1) Previously filed as Exhibit 99.1 to the Current Report on Form 8-K filed on August 17, 2021 and incorporated by reference herein.

(2) Filed currently herewith.

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.

Nature's Sunshine Products, Inc.

Date:	August 9, 2022	/s/ Terrence O. Moorehead
		Terrence O. Moorehead, President and Chief Executive Officer (Principal Executive Officer)
Date:	August 9, 2022	/s/ Joseph W. Baty
		Joseph W. Baty, Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

[GRANT NAME]

NATURE'S SUNSHINE PRODUCTS, INC.

AMENDED AND RESTATED 2012 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

This **RESTRICTED STOCK UNIT AWARD AGREEMENT** (this "*Agreement*") is made effective as of [DATE], by and between Nature's Sunshine Products, Inc., a Utah corporation (the "*Company*"), and [NAME], an individual ('*Participant*").

1. Award»

The Company hereby grants to Participant a restricted stock unit award covering [XXXX] shares (the *Shares*") of Common Stock of the Company according to the terms and conditions set forth herein and in the Nature's Sunshine Products, Inc. Amended and Restated 2012 Stock Incentive Plan (the "*Plan*"). Each restricted stock unit (a '*Unit*") represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

For purposes of this Agreement, the following terms shall have the definitions set forth below:

(a) "*Grant Date*" shall mean [DATE].

(b) "*Change in Control*" shall mean any one of the transactions or events described in subparagraphs (i) through (v) below, provided any such transaction or event must also constitute a "change in control event" as defined in Treasury Regulation §1.409A-3(i)(5).

(i) approval by the stockholders of the Company of a plan of complete dissolution or liquidation of the Company;

(ii) consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "*Business Combination*"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "*Surviving Corporation*"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "*Parent Corporation*"), is represented by Company Voting Securities (as defined in subparagraph (iv)) that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in subparagraph (v)) at the time of the approval by the Company's board of directors (the "*Board*") of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "*Non-Qualifying Transaction*");

(iii) consummation of a sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a subsidiary;

(iv) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the*Exchange Act*")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "*Acquiring Person*") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this subparagraph (iv) shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in subparagraph (ii); or

(v) during any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board (the*Incumbent Directors*") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of a least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director, provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director.

(c) "*Disability*" shall mean a determination by the Company that the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, unable to engage in any substantial gainful activity.

(d) "*Distribution Date*" as to any particular Unit shall mean the earliest to occur of the following events: (i) the Participant's Separation from Service; (ii) the Participant's Disability; (iii) a Change in Control; or (iv) with respect to the Vesting Schedule.

(e) "*Separation from Service*" shall mean a complete severance of the Participant's relationship as an employee, officer, consultant, independent contractor, advisor, or director of the Company; provided, however, that a Participant may have a Separation from Service upon resignation or removal as a director even if the director then becomes an officer or employee of the Company. For the sake of clarity, a Separation of Service shall not be deemed to have occurred unless such separation qualifies as a "separation of service" as determined under Section 409A of the Internal Revenue Code.

(f) "*Specified Employee*" shall mean an individual who meets the definition of "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Internal Revenue Code.

2. Vesting

Except as otherwise provided in this Agreement, the Units shall vest as follows:

Vest Schedule - Share Units (RSU)	
Vest Date	**Vest Quantity**
[DATE]	XXXX
[DATE]	XXXX
[DATE]	XXXX
[DATE]	XXXX

Notwithstanding anything to the contrary in this agreement, upon a Change in Control, and whether a Separation from Service occurs or not, all Units granted hereunder shall vest as of the date of such Change in Control event.

3. Restrictions on Transfer»

The Units may not be sold, assigned, transferred or pledged, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.

4. Forfeiture; Early Vesting»

Except as noted in Section 2 with respect to a Change in Control, if Participant has a Separation from Service prior to vesting of the Units identified in Section 2, all of Participant's rights to all of the unvested Units shall be immediately and irrevocably forfeited. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.

5. Miscellaneous»

(a) Issuance of Shares. Within 60 days following the Participant's Distribution Date, the Company shall cause to be issued and delivered to the Participant a certificate or certificates evidencing Shares registered in the name of the Participant (or in the name of the Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such shares to the respective Participant. The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall occur as soon as administratively practicable. Notwithstanding the foregoing in this Section 5(a), if the Participant's Distribution Date results from the occurrence of a Change in Control that would result in the extinguishment or unavailability of the Shares, then, in connection with such Change in Control, the Committee may, in its sole discretion, provide for the replacement of the delivery of the Shares with the delivery of other rights or property, including, without limitation, cash, in accordance with the foregoing provisions of this Section 5(a) and in a manner consistent with Section 4(c) of the Plan.

(b) Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle the Participant to any of the rights or benefits generally accorded to stockholders unless and until a Share is actually issued under Section 5(a) hereof.

(c) Taxes. Participant acknowledges that Participant will consult with his/her personal tax advisor regarding the applicable federal, state, local or foreign tax consequences that arise in connection with this Agreement. In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are Participant's sole and absolute responsibility, are withheld or collected from Participant, if and to the extent required by applicable law.

(d) Subject to Plan. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of the Participant. In the event that any provision of this Award conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(e) No Right to Continued Service. This Agreement shall not confer on the Participant any right with respect to continuance of service to the Company, nor will it interfere in any way with the right of the Company or its shareholders to terminate such service at any time.

(f) Confidentiality. This Agreement, including, without limitation, the grant made hereunder, constitute confidential information and Participant agrees not to use or divulge such confidential information, or permit others to use or divulge such confidential information, for any reason; *provided*, *however*, Employee may divulge such confidential information to his/her tax, accounting or legal advisor strictly for purposes of receiving professional advice or to exercise his/her rights hereunder. This confidentiality provision is not exclusive of any other obligation of confidentiality of Participant, including, without limitation, any obligation of confidentiality set forth in a separate confidentiality agreement between Participant and the Company.

(g) Governing Law. The validity, construction and effect of the Plan and this Agreement, and any rules and regulations relating to the Plan and this Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Utah.

(h) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify this Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to such jurisdiction or this Agreement, and the remainder of this Agreement shall remain in full force and effect.

(i) No Trust or Fund Created. Neither the Plan nor this Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate (as defined in Rule 12b-2 promulgated under the Exchange Act) and Participant or any other person.

(j) Section 409A Provisions. If a payment has become payable on account of the Participant's Separation from Service, and if such Participant is determined to be a Specified Employee, such payment shall not be paid before the date which is six months after such Specified Employee's Separation From Service (or, if earlier, the date of death of such Specified Employee). Following any applicable six month delay of payment, all such delayed payments shall be made to the Specified Employee in a lump sum on the earliest possible payment date.

(k) Headings. Headings are given to the Sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

[Signature page follows]

IN WITNESS WHEREOF, the Company and Participant have executed this Agreement on the date set forth in the first paragraph.

NATURE'S SUNSHINE PRODUCTS, INC.

By: ______________________________

Joseph W. Baty

Its: Executive Vice President, CFO & Treasurer

PARTICIPANT

____

NAME, an individual

[GRANT NAME]

NATURE'S SUNSHINE PRODUCTS, INC.

AMENDED AND RESTATED 2012 STOCK INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

This **PERFORMANCE STOCK UNIT AWARD AGREEMENT** (this "*Agreement*") is made effective as of [DATE], by and between Nature's Sunshine Products, Inc., a Utah corporation (the "*Company*"), and [NAME], an individual ("*Participant*").

1. Award»

The Company hereby grants to Participant a restricted stock unit award covering [XXXXXX] shares (the *Shares*") of Common Stock of the Company according to the terms and conditions set forth herein and in the Nature's Sunshine Products, Inc. Amended and Restated 2012 Stock Incentive Plan (the "*Plan*"). Each restricted stock unit (a "*Unit*") represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) of the Plan. A copy of the Plan will be furnished upon request of Participant.

For purposes of this Agreement, the following terms shall have the definitions set forth below:

(a) "*Grant Date*" shall mean [DATE].

(b) "*Change in Control*" shall mean any one of the transactions or events described in subparagraphs (i) through (v) below, provided any such transaction or event must also constitute a "change in control event" as defined in Treasury Regulation §1.409A-3(i)(5).

(i) approval by the stockholders of the Company of a plan of complete dissolution or liquidation of the Company;

(ii) consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "*Business Combination*"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "*Surviving Corporation*"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 90% of the voting securities eligible to elect directors of the Surviving Corporation (the "*Parent Corporation*"), is represented by Company Voting Securities (as defined in subparagraph (iv)) that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors (as defined in subparagraph (v)) at the time of the approval by the Company's board of directors (the "*Board*") of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "*Non-Qualifying Transaction*");

(iii) consummation of a sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a subsidiary;

(iv) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the*Exchange Act*")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more (an "*Acquiring Person*") of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "*Company Voting Securities*"); provided, however, that the event described in this subparagraph (iv) shall not be deemed to be a Change in Control Event by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Qualifying Transaction, as defined in subparagraph (ii); or

(v) during any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board (the*Incumbent Directors*") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of a least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director, provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director.

(c) "*Disability*" shall mean a determination by the Company that the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, unable to engage in any substantial gainful activity.

(d) "*Distribution Date*" as to any particular Unit shall mean the earliest to occur of the following events: (i) the Participant's Separation from Service; (ii) the Participant's Disability; (iii) a Change in Control; or (iv) with respect to the Vesting Schedule.

(e) "*Separation from Service*" shall mean a complete severance of the Participant's relationship as an employee, officer, consultant, independent contractor, advisor, or director of the Company; provided, however, that a Participant may have a Separation from Service upon resignation or removal as a director even if the director then becomes an officer or employee of the Company. For the sake of clarity, a Separation of Service shall not be deemed to have occurred unless such separation qualifies as a "separation of service" as determined under Section 409A of the Internal Revenue Code.

(f) "*Specified Employee*" shall mean an individual who meets the definition of "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Internal Revenue Code.

2. Vesting

Except as otherwise provided in this Agreement, the Units shall vest as follows: Achieved upon Compensation Committee certification of trailing four-quarter adjusted EBITDA, subject to any Compensation Committee-approved adjustments consistent with past practices. The adjusted EBITDA targets are as follows: [XXXX]. All EBITDA targets must be achieved prior to [XXXXX]; provided, however, that the Units will not expire until thirty days following the filing of the Form 10K for the year ending [XXXXX]. Achievement of the targets is weighted with [XXXXXXX]. For each target, half of the allocated award vests upon the certification that a target has been achieved and the second half vests after an additional 12-month period. All unachieved adjusted EBITDA targets will be adjusted by any incremental acquired adjusted EBITDA in the event of a merger or acquisition.

Notwithstanding anything to the contrary in this agreement, upon a Change in Control, and whether a Separation from Service occurs or not, all earned but unvested Units, and the Units related to the next unearned adjusted EBITDA target up to the adjusted EBITDA target of [XXXX], shall vest as of the date of such Change in Control event. For the sake of clarity, in the event of a Change in Control, any Units that would otherwise vest only upon the achievement of the adjusted EBITDA target of [XXXX] will not be subject to the acceleration described in this paragraph, but nonetheless may vest if such target is achieved prior to the Change in Control.

3. Restrictions on Transfer»

The Units may not be sold, assigned, transferred or pledged, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.

4. Forfeiture; Early Vesting»

Except as noted in Section 2 with respect to a Change in Control, if Participant has a Separation from Service prior to vesting of the Units identified in Section 2, all of Participant's rights to all of the unvested Units shall be immediately and irrevocably forfeited, except that all achieved but unvested Units will vest upon a Separation of Service without Cause. Upon forfeiture, Participant will no longer have any rights relating to the unvested Units.

5. Miscellaneous»

(a) Issuance of Shares. Within 60 days following the Participant's Distribution Date, the Company shall cause to be issued and delivered to the Participant a certificate or certificates evidencing Shares registered in the name of the Participant (or in the name of the Participant's legal representatives, beneficiaries or heirs, as the case may be) or to instruct the Company's transfer agent to electronically deliver such shares to the respective Participant. The number of Shares issued shall equal the number of Units vested, reduced as necessary to cover applicable withholding obligations in accordance with Section 5(c) hereof. If it is administratively impracticable to issue Shares within the time frame described above because issuances of Shares are prohibited or restricted pursuant to the policies of the Company that are reasonably designed to ensure compliance with applicable securities laws or stock exchange rules, then such issuance shall occur as soon as administratively practicable. Notwithstanding the foregoing in this Section 5(a), if the Participant's Distribution Date results from the occurrence of a Change in Control that would result in the extinguishment or unavailability of the Shares, then, in connection with such Change in Control, the Committee may, in its sole discretion, provide for the replacement of the delivery of the Shares with the delivery of other rights or property, including, without limitation, cash, in accordance with the foregoing provisions of this Section 5(a) and in a manner consistent with Section 4(c) of the Plan.

(b) Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle the Participant to any of the rights or benefits generally accorded to stockholders unless and until a Share is actually issued under Section 5(a) hereof.

(c) Taxes. Participant acknowledges that Participant will consult with his/her personal tax advisor regarding the applicable federal, state, local or foreign tax consequences that arise in connection with this Agreement. In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are Participant's sole and absolute responsibility, are withheld or collected from Participant, if and to the extent required by applicable law.

(d) Subject to Plan. This Award is subject to the terms and conditions of the Plan, but the terms of the Plan shall not be considered an enlargement of any benefits under this Agreement. In addition, this Award is subject to the rules and regulations promulgated pursuant to the Plan, now or hereafter in effect. A copy of the Plan will be furnished upon request of the Participant. In the event that any provision of this Award conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(e) No Right to Continued Service. This Agreement shall not confer on the Participant any right with respect to continuance of service to the Company, nor will it interfere in any way with the right of the Company or its shareholders to terminate such service at any time.

(f) Confidentiality. This Agreement, including, without limitation, the grant made hereunder, constitute confidential information and Participant agrees not to use or divulge such confidential information, or permit others to use or divulge such confidential information, for any reason; *provided*, *however*, Employee may divulge such confidential information to his/her tax, accounting or legal advisor strictly for purposes of receiving professional advice or to exercise his/her rights hereunder. This confidentiality provision is not exclusive of any other obligation of confidentiality of Participant, including, without limitation, any obligation of confidentiality set forth in a separate confidentiality agreement between Participant and the Company.

(g) Governing Law. The validity, construction and effect of the Plan and this Agreement, and any rules and regulations relating to the Plan and this Agreement, shall be determined in accordance with the internal laws, and not the law of conflicts, of the State of Utah.

(h) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify this Agreement under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to such jurisdiction or this Agreement, and the remainder of this Agreement shall remain in full force and effect.

(i) No Trust or Fund Created. Neither the Plan nor this Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate (as defined in Rule 12b-2 promulgated under the Exchange Act) and Participant or any other person.

(j) Section 409A Provisions. If a payment has become payable on account of the Participant's Separation from Service, and if such Participant is determined to be a Specified Employee, such payment shall not be paid before the date which is six months after such Specified Employee's Separation From Service (or, if earlier, the date of death of such Specified Employee). Following any applicable six month delay of payment, all such delayed payments shall be made to the Specified Employee in a lump sum on the earliest possible payment date.

(k) Headings. Headings are given to the Sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

[Signature page follows]

IN WITNESS WHEREOF, the Company and Participant have executed this Agreement on the date set forth in the first paragraph.

NATURE'S SUNSHINE PRODUCTS, INC.

By: ______________________________

Joseph W. Baty

Its: Executive Vice President, CFO & Treasurer

PARTICIPANT

____

NAME, an individual

Exhibit 31.1

CERTIFICATIONS

I, Terrence O. Moorehead, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. ("the registrant");

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 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 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.

Date: August 9, 2022

/s/ Terrence O. Moorehead

Terrence O. Moorehead
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Joseph W. Baty, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nature's Sunshine Products, Inc. (the "registrant");

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 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 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.

Date: August 9, 2022

/s/ Joseph W. Baty

Joseph W. Baty
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrence O. Moorehead, President and Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Terrence O. Moorehead
Terrence O. Moorehead
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Nature’s Sunshine Products, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph W. Baty, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Joseph W. Baty
Joseph W. Baty
Executive Vice President, Chief Financial Officer and Treasurer