

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1996

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 #0-8707

NATURE'S SUNSHINE PRODUCTS, INC.

(Exact Name of Registrant)

Utah

87-0327982

(State of Incorporation)

(I.R.S. Employer Identification Number)

75 East 1700 South
Provo, Utah 84606

(Address of Principal Executive Offices)

(801) 342-4407

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or such shorter period that the Registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
----- -----

The number of shares of common stock, without par value, outstanding as of May 1, 1996, was 18,633,104.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollar Amounts In Thousands)

<TABLE>
<CAPTION>

	(Unaudited) March 31 1996	December 31 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$22,877	\$14,172
Accounts receivable, net	5,530	6,042
Inventories	22,655	23,127
Notes receivable due from related parties	218	213
Prepaid expenses and other	5,470	3,619
	-----	-----

Total Current Assets	56,750	47,173
PROPERTY, PLANT AND EQUIPMENT, net	15,134	13,088
LONG-TERM INVESTMENTS	2,430	2,381
OTHER ASSETS	2,488	2,605
	-----	-----
	\$76,802	\$65,247
	-----	-----
	-----	-----

</TABLE>

The accompanying notes to the financial statements are an integral part of these consolidated condensed balance sheets.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (CONTINUED)
(Dollar Amounts In Thousands)

<TABLE>
<CAPTION>

	(Unaudited)	
	March 31	December 31
	1996	1995
	-----	-----
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 2,768	\$ 2,042
Accounts payable	4,338	5,031
Accrued volume incentives	10,481	7,207
Accrued liabilities	10,168	6,577
Income taxes payable	3,097	1,883
	-----	-----
Total Current Liabilities	30,852	22,740
	-----	-----
DEFERRED INCOME TAXES	1,199	1,002
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 20,000,000 shares authorized; 19,445,734 shares issued	31,408	31,263
Retained earnings	21,869	19,214
Treasury stock, at cost, 943,810 and 1,011,607 shares at March 31, 1996 and December 31, 1995, respectively	(4,891)	(4,942)
Receivables due from related parties	(231)	(293)
Cumulative translation adjustments	(3,404)	(3,737)
	-----	-----
Total Shareholders' Equity	44,751	41,505
	-----	-----
	\$76,802	\$65,247
	-----	-----
	-----	-----

</TABLE>

The accompanying notes to the financial statements are an integral part of these consolidated condensed balance sheets.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Amounts In Thousands, Except Per-Share Information)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	(Unaudited)	
	1996	1995
<S> SALES REVENUE	<C> \$60,113	<C> \$47,062
COSTS AND EXPENSES:		
Cost of goods sold	10,384	9,229
Volume incentives	27,896	21,794
Selling, general and administrative	16,753	13,052
	55,033	44,075
OPERATING INCOME	5,080	2,987
OTHER INCOME (EXPENSE):		
Interest and other income	744	398
Interest expense	(32)	(44)
Foreign exchange loss	(207)	(127)
Minority interest	(5)	226
	500	453
INCOME BEFORE INCOME TAXES	5,580	3,440
PROVISION FOR INCOME TAXES	2,304	1,426
NET INCOME	\$ 3,276	\$ 2,014
NET INCOME PER COMMON SHARE	\$ 0.17	\$ 0.11
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	19,458	18,605

</TABLE>

The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of income.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(Dollar Amounts In Thousands)

<TABLE>
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	Three Months Ended March 31	
	(Unaudited)	
	1996	1995
<S> CASH FLOWS FROM OPERATING ACTIVITIES:	<C>	<C>
Cash received from sales revenue	\$60,494	\$46,980
Cash paid as volume incentives	(24,936)	(19,925)

Cash paid to suppliers and employees	(24,176)	(21,769)
Interest paid	(32)	(44)
Interest received	668	427
Income taxes paid	(893)	(443)
	-----	-----
Net Cash Provided by Operating Activities	11,125	5,226
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,830)	(652)
Purchase of other assets	---	(212)
Investment in joint venture	5	(226)
Payments received on long-term receivables	68	42
Payment received on related party receivables	91	2
Proceeds from sale of assets	---	257
(Purchase) sale of long-term investments	(49)	44
	-----	-----
Net Cash Used in Investing Activities	(2,715)	(745)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of cash dividends	(620)	(613)
Short-term loan	726	143
Proceeds from exercise of stock options	197	---
Purchase of treasury stock	---	(1,070)
	-----	-----
Net Cash Provided By (Used in) Financing Activities	303	(1,540)
	-----	-----
EFFECT OF EXCHANGE RATES ON CASH	(8)	(310)
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,705	2,631
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,172	11,201
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$22,877	\$13,832
	-----	-----

</TABLE>

The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of cash flows.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
Reconciliation of Net Income to Net Cash Provided by Operating Activities
(Dollar Amounts In Thousands)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	(Unaudited)	
	1996	1995
	-----	-----
<S> NET INCOME	<C> \$ 3,276	<C> \$ 2,014
	-----	-----

Bad debt expense	16	60
Depreciation and amortization	867	742
Decrease in accounts receivable	497	74
Decrease (increase) in inventories	472	(177)
Increase in prepaid expenses and other assets	(1,924)	(385)
Increase in income taxes payable	1,214	973
Increase in accrued liabilities and volume incentives	6,864	3,547

Decrease in accounts payable	(693)	(729)
Increase (decrease) in deferred income taxes	197	(119)
Cumulative translation adjustments	339	(774)
	-----	-----
Total Adjustments	7,849	3,212
	-----	-----
Net Cash Provided by Operating Activities	\$11,125	\$ 5,226
	-----	-----

</TABLE>

The accompanying notes to the financial statements are an integral part of these consolidated condensed statements of cash flows.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollar Amounts In Thousands, Except Per-Share Information)

(1) INTERIM FINANCIAL STATEMENT POLICIES AND DISCLOSURES

The unaudited, consolidated condensed financial statements of Nature's Sunshine Products, Inc. and subsidiaries included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally required in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These consolidated condensed financial statements reflect all adjustments, which in the opinion of management, are necessary to present fairly the financial position as of March 31, 1996, and the results of operations for the interim periods presented. All of the adjustments which have been made in these consolidated condensed financial statements are of a normal recurring nature.

Weighted average shares outstanding and all per share amounts included in the condensed financial statements have been adjusted to reflect the three-for-two stock split effected in February of 1996.

It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

(2) INVENTORIES

<TABLE>
<CAPTION>

Inventories consist of:	(Unaudited) March 31 1996	December 31 1995
	-----	-----
Raw materials	\$ 7,065	\$ 7,772
Work in process	1,133	1,123
Finished goods	14,457	14,232
	-----	-----
	\$22,655	\$23,127
	-----	-----

</TABLE>

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

(3) EARNINGS PER SHARE

Outstanding stock options are considered common stock equivalents and are

included in the computation of primary earnings per share for the three-month periods ended March 31, 1996 and 1995.

As of March 31, 1996, the Company had a total of 3,449,769 options outstanding. The options were all granted at market prices, which vary from \$1.79 to \$20.00 per share.

(4) QUARTERLY CASH DIVIDENDS

The Company has declared 31 consecutive quarterly cash dividends. The most recent quarterly cash dividend of 3 1/3 cents per common share was declared May 6, 1996, to shareholders of record on May 17, 1996, payable May 30, 1996.

(5) TRANSLATION OF FOREIGN CURRENCY

The financial statements of the international subsidiaries have been translated to U.S. dollars in accordance with the provisions of SFAS No. 52.

As a result of its international operations, the Company is subject to foreign currency fluctuations which may impact current earnings.

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

SUMMARY

The following table identifies (i) the relationship that net income items disclosed in the consolidated condensed financial statements have to total sales, and (ii) amount and percent of change of such items compared to the corresponding prior period.

<TABLE>
<CAPTION>

(i) Income and Expense Items as a Percent of Sales			(ii) Three Months Ended March 31		
----- 1994 ----- Three Months Ended ----- March 31 ----- Percent			----- 1996 to 1995 -----		----- 1995 to -----
----- 1996 -----	----- 1995 -----	----- Income and Expense Items -----	----- Amount of Increase/ (Decrease) -----	----- Percent of Change -----	----- of Change -----
<C>	<C>	<S>	<C>	<C>	<C>
100.00%	100.00%	Sales revenue	\$13,051	27.73%	
26.05%					
17.27	19.61	Cost of sales	1,155	12.51	
30.94					
46.41	46.31	Volume incentives	6,102	28.00	
23.00					
27.87	27.73	SG&A expenses	3,701	28.36	
37.34					
91.55	93.65		10,958	24.86	
28.61					
8.45	6.35	Operating income	2,093	70.07	
(2.61)					
1.24	0.85	Interest and other income	346	86.93	171.86
(0.05)	(0.09)	Interest expense	12	27.27	
(4,794.01)					
(0.35)	(0.28)	Foreign exchange loss	(80)	(62.99)	39.83
(0.01)	0.48	Minority interest	(231)	(102.21)	529.85

0.83	0.96		47	10.38	
1,637.84					
9.28	7.31	Income before income taxes	2,140	62.21	13.26
3.83	3.03	Provision for income taxes	878	61.57	6.73
5.45%	4.28%	Net income	\$ 1,262	62.66%	
18.39%					

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS

SALES REVENUE:

The Company reported record consolidated sales for the three months ended March 31, 1996. Sales revenue for the three months ended March 31, 1996, was \$60.1 million compared to \$47.1 million in the same period the prior year, an increase of 28 percent.

Management believes the increase in sales for the three-month period is attributable to the expansion of the Company's independent sales force, a continued increase of consumer awareness and interest in natural health and nutritional products and incentives the Company offers its independent sales force. In addition, the Company's sales revenue growth has been enhanced by its international expansion. The Company's international operations reported sales revenue of \$19.8 million for the three-month period in 1996, an increase of 32 percent compared to the same period in 1995.

The Company's independent sales force consists of Managers and Distributors. A Distributor interested in earning additional income by committing more time and effort to selling the Company's products may attain the rank of "Manager." Appointment as a Manager is dependent upon attaining certain purchase volume levels and demonstrating leadership abilities. The number of Managers increased to 14,268 at March 31, 1996, from 10,616 at March 31, 1995. The number of Distributors at March 31, 1996, was 427,777 compared to 262,453 at March 31, 1995.

COST OF GOODS SOLD:

The Company has experienced a decrease in cost of goods sold, as a percentage of sales, for the three months ended March 31, 1996, compared to the same period last year. The decrease in cost of goods sold, as a percentage of sales, was primarily the result of the increase in volume as well as increased efficiencies in the Company's manufacturing operations. Management expects cost of goods sold to decrease slightly as a percent of sales during the rest of 1996.

VOLUME INCENTIVES:

The increase in volume incentives, for the three months ended March 31, 1996, is directly related to the increase in sales revenue. Volume incentives are an integral part of the Company's direct sales marketing program and are payments to independent sales force members for reaching certain levels of sales performance and organizational development. Volume incentives vary slightly, on a percentage basis, by product due to the Company's pricing policies.

Management expects volume incentives to decrease slightly, as a percent of sales, during the rest of 1996. The decrease is anticipated as the result of increasing sales from Japan and Brazil, which have comparatively lower volume incentive payments.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Company experienced increased selling, general and administrative expenses (SG&A) of approximately \$3.7 million during the period ended March 31, 1996. However as a percent of sales, SG&A expenses were consistent with the first quarter of 1995.

SG&A expenses for the first quarter of 1996 included startup costs for the Company's new operations in Guatemala, El Salvador, Panama and Peru. Management expects SG&A to decrease, as a percent of sales, during the remainder of 1996.

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SUBSIDIARY OPERATIONS:

Domestic and international sales revenue for the three months ended March 31, 1996, compared to the previous year are as follows:

<TABLE>
<CAPTION>

SALES REVENUE	(Dollars in Thousands)	
	1996	1995
	-----	-----
<S>	<C>	<C>
DOMESTIC SALES REVENUE	\$40,335	\$32,057
	-----	-----
INTERNATIONAL SALES REVENUE:		
Americas	15,371	11,659
Asia Pacific	3,493	2,212
Other	914	1,134
	-----	-----
TOTAL INTERNATIONAL	19,778	15,005
	-----	-----
TOTAL SALES REVENUE	\$60,113	\$47,062
	-----	-----

</TABLE>

Domestic and international operating income for the three months ended March 31, 1996, compared to the previous year are as follows:

<TABLE>
<CAPTION>

OPERATING INCOME	(Dollars in Thousands)	
	1996	1995
	-----	-----
<S>	<C>	<C>
DOMESTIC OPERATING INCOME	\$ 3,340	\$ 2,201
	-----	-----
INTERNATIONAL OPERATING INCOME:		
Americas	1,942	1,069
Asia Pacific	(183)	(451)
Other	(19)	168
	-----	-----
TOTAL INTERNATIONAL	1,740	786
	-----	-----
TOTAL OPERATING INCOME	\$ 5,080	\$ 2,987
	-----	-----

</TABLE>

Domestic and international assets as of March 31, 1996, compared to December 31, 1995, balances are as follows:

<TABLE>
<CAPTION>

ASSETS	(Dollars in Thousands)	
	March 31 1996	December 31 1995
	-----	-----
<S>	<C>	<C>
DOMESTIC ASSETS	\$47,176	\$40,996
	-----	-----

INTERNATIONAL ASSETS:		
Americas	24,169	18,941
Asia Pacific	4,472	4,239
Other	985	1,071
	-----	-----
TOTAL INTERNATIONAL	29,626	24,251
	-----	-----
TOTAL ASSETS	\$76,802	\$65,247
	-----	-----

</TABLE>

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BALANCE SHEET

PREPAID EXPENSES AND OTHER

Prepaid expenses and other increased approximately \$1.9 million during the period ended March 31, 1996. The increase was the result of advance deposits and payments required for the Company's incentive travel awards, including conventions. The increase also includes advance tax payments made by certain of the Company's international operations.

ACCRUED VOLUME INCENTIVES

Accrued volume incentives increased approximately \$3.3 million during the first three months of the year as a direct result of increased sales.

ACCRUED LIABILITIES

Accrued liabilities increased approximately \$3.6 million during the period ended March 31, 1996. The increase in accrued liabilities reflects the increased level of sales and related accruals for sales incentives such as conventions and other travel awards.

INCOME TAXES PAYABLE

Income taxes payable increased approximately \$1.2 million since year end. The increase in income taxes payable is primarily related to the timing of the estimated income tax payments.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$8.7 million for the three months ended March 31, 1996. The increase in cash is primarily the result of the increased sales and income as well as increases in current liabilities.

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The Company acquired approximately \$2.8 million in property, plant and equipment improvements during the first three months of 1996 to improve its manufacturing and administrative capabilities. The Company increased its short-term borrowings in Japan by approximately \$.7 million during the period ended March 31, 1996. Approximately \$.6 million was used for the payment of dividends during the first quarter.

Management believes the Company's stock is an attractive investment and, from time to time pursuant to its previously announced 660,000 share stock buyback program, may utilize a portion of its available cash to purchase up to the remaining balance of approximately 153,000 shares of its stock should market conditions warrant.

The Company is in the process of establishing a new international subsidiary. Management expects that this new operation may require initial capitalization of approximately \$1 million during the next twelve to eighteen months.

The Company is evaluating the need to expand its domestic manufacturing, inventory and other facilities. The Company may consider long-term financing for these projects in the event that they require significant capital outlays.

The Company is a defendant in various lawsuits which are incidental to the Company's business. Management, after consultation with its legal counsel, believes that any liability as a result of these matters should not have a material effect upon the Company's results of operations or financial position.

Management believes that future working capital requirements can be internally funded. Management expects cash and investments to increase during

1996, as the result of operations. However, cash and investments may be reduced in the event the Company proceeds with the capital projects mentioned above.

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a) No exhibits are required to be filed by Item 601 of Regulation S-K.
- b) No reports were filed on Form 8-K during the quarter for which this report is filed.

OTHER ITEMS

There were no other items to be reported under Part II of this report.

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.

May 9, 1996

/s/ Alan D. Kennedy

Alan D. Kennedy, President & Chief Executive Officer

May 9, 1996

/s/ Douglas Faggioli

Douglas Faggioli, Chief Financial Officer

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