



\$79,706	\$65,247
----------	----------

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

2

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

	(UNAUDITED) JUNE 30 1996	DECEMBER 31 1995
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 2,475	\$ 2,042
Accounts payable	4,540	5,031
Accrued volume incentives	9,527	7,207
Accrued liabilities	9,956	6,577
Income taxes payable	2,213	1,883
	-----	-----
Total Current Liabilities	28,711	22,740
	-----	-----
DEFERRED INCOME TAXES	1,059	1,002
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 20,000,000 shares authorized; 19,445,734 shares issued	32,549	31,263
Retained earnings	25,590	19,214
Treasury stock, at cost, 592,015 and 1,011,607 shares at June 30, 1996 and December 31, 1995, respectively	(4,308)	(4,942)
Receivables due from related parties	(229)	(293)
Cumulative translation adjustments	(3,666)	(3,737)
	-----	-----
Total Shareholders' Equity	49,936	41,505
	-----	-----
	\$79,706	\$65,247
	-----	-----

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

3

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(Amounts In Thousands, Except Per-Share Information)

	THREE MONTHS ENDED JUNE 30	
	(UNAUDITED)	
	1996	1995
	-----	-----
SALES REVENUE	\$63,182	\$50,725
	-----	-----
COSTS AND EXPENSES:		
Cost of goods sold	11,565	9,523
Volume incentives	28,750	23,104
Selling, general and administrative	15,542	13,446
	-----	-----
	55,857	46,073
	-----	-----
OPERATING INCOME	7,325	4,652
	-----	-----
OTHER INCOME (EXPENSE):		
Interest and other income	313	498
Interest expense	(6)	(53)
Foreign exchange loss, net	(162)	(86)
Minority interest	(218)	21
	-----	-----
	(73)	380

INCOME BEFORE INCOME TAXES	7,252	5,032
PROVISION FOR INCOME TAXES	2,910	2,060
NET INCOME	\$ 4,342	\$ 2,972
NET INCOME PER COMMON SHARE	\$ 0.22	\$ 0.16
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	19,834	18,629

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 INCOME  
(Amounts In Thousands, Except Per-Share Information)

	Six Months Ended June 30	
	(Unaudited)	
	1996	1995
SALES REVENUE	\$ 123,295	\$ 97,787
COSTS AND EXPENSES:		
Cost of goods sold	21,949	18,752
Volume incentives	56,646	44,898
Selling, general and administrative	32,295	26,498
	110,890	90,148
OPERATING INCOME	12,405	7,639
OTHER INCOME (EXPENSE):		
Interest and other income	1,057	897
Interest expense	(38)	(97)
Foreign exchange loss, net	(369)	(213)
Minority interest	(223)	247
	427	834
INCOME BEFORE INCOME TAXES	12,832	8,473
PROVISION FOR INCOME TAXES	5,214	3,487
NET INCOME	\$ 7,618	\$ 4,986
NET INCOME PER COMMON SHARE	\$ 0.39	\$ 0.27
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	19,661	18,617

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

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Dollar Amounts In Thousands)

	Six Months Ended June 30	
Increase (Decrease) in Cash and Cash Equivalents	(Unaudited)	
	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from sales revenue	\$ 121,832	\$ 96,632
Cash paid as volume incentives	(53,898)	(43,340)
Cash paid to suppliers and employees	(53,081)	(45,603)
Income taxes paid	(4,827)	(2,717)
Interest received	1,123	724
Interest paid	(38)	(97)
	11,111	5,599
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(4,067)	(1,710)
Purchase of other assets	(156)	(12)
Payments received on long-term receivables	110	68
Short-term related party receivables, net	201	(332)
Sale of long-term investments, net	73	19
Proceeds from sale of assets	---	258
Investment in subsidiaries	---	(247)
	(3,839)	(1,956)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of cash dividends	(1,242)	(1,220)
Proceeds from exercise of stock options	1,915	160
Proceeds from short-term debt, net	433	633
Purchase of treasury stock	---	(1,298)
Issuance of treasury stock	6	---
	1,112	(1,725)
<b>EFFECT OF EXCHANGE RATES ON CASH</b>	<b>(203)</b>	<b>(213)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,181</b>	<b>1,705</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>14,172</b>	<b>11,201</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 22,353</b>	<b>\$ 12,906</b>

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

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)

Six Months Ended  
June 30

	(Unaudited)	
	1996	1995
	-----	-----
NET INCOME	\$ 7,618	\$ 4,986
	-----	-----
Bad debt expense	36	20
Depreciation and amortization	1,729	1,217
Increase in accounts receivable	(1,065)	(1,135)
Increase in inventories	(718)	(1,472)
Increase in prepaid expenses and other	(2,357)	(568)
Increase in income taxes payable	331	411
Increase in accrued liabilities and volume incentives	5,698	3,742
Decrease in accounts payable	(491)	(663)
Increase (decrease) in deferred income taxes	57	(229)
Cumulative translation adjustments	273	(710)
	-----	-----
Total Adjustments	3,493	613
	-----	-----
Net Cash Provided by Operating Activities	\$ 11,111	\$ 5,599
	-----	-----
	-----	-----

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

(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 a fair statement of financial position as of June 30, 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 number of common 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 March of 1996.

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

(2) INVENTORIES

Inventories consist of:

	(Dollars in Thousands)	
	(Unaudited)	
	June 30	December 31
	1996	1995
	-----	-----
Raw materials	\$ 8,227	\$ 7,772
Work in process	1,328	1,123
Finished goods	14,290	14,232
	-----	-----
	\$23,845	\$23,127
	-----	-----
	-----	-----

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.

As of June 30, 1996, the Company had a total of 3,108,174 options outstanding. The options were all granted at market prices, which vary from \$1.79 to \$22.25 per share.

## (4) QUARTERLY CASH DIVIDENDS

The Company has declared 32 consecutive quarterly cash dividends. The most recent quarterly cash dividend of 3 1/3 cents per common share was declared on August 5, 1996, to shareholders of record on August 16, 1996, payable August 26, 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.

&lt;TABLE&gt;

(i)		(Dollar Amounts In Thousands)			
Income and Expense Items as a Percent of Sales		(ii)			
Three Months Ended June 30		1996 to 1995		1995 to 1994	
1996	1995	Amount of Increase/ (Decrease)	Percent of Change	Percent of Change	Percent of Change
<S>	<C>	<C>	<C>	<C>	<C>
100.00%	100.00%	\$12,457	24.56%		32.40%
18.30	18.77	2,043	21.45		26.84
45.51	45.55	5,646	24.44		29.51
24.60	26.51	2,095	15.58		43.67
88.41	90.83	9,784	21.24		32.75
11.59	9.17	2,673	57.46		29.02
0.50	0.98	(185)	(37.20)		40.56
(0.01)	(0.10)	47	88.82		(100.00)
(0.26)	(0.17)	(76)	(87.87)		(54.23)
(0.34)	0.04	(238)	(1,183.29)		(72.89)
(0.11)	0.75	(452)	(119.46)		1.18

11.48	9.92	Income before income taxes	2,221	44.14	26.39
4.61	4.06	Provision for income taxes	851	41.31	18.08
6.87%	5.86%	Net income	\$ 1,370	46.09%	32.87%

</TABLE>

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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>

(i)		(ii)			
Income and Expense Items as a Percent of Sales		Six Months Ended June 30			
Six Months Ended June 30			1996 to 1995	1995 to 1994	
1996	1995	Income and Expense Items	Amount of Increase/ (Decrease)	Percent of Change	Percent of Change
<S>	<C>	<C>	<C>	<C>	<C>
100.00%	100.00%	Sales revenue	\$25,508	26.09%	29.26%
17.80	19.18	Cost of sales	3,197	17.05	28.82
45.95	45.91	Volume incentives	11,748	26.17	26.27
26.19	27.10	SG&A expenses	5,797	21.88	40.48
89.94	92.19		20,742	23.01	30.69
10.06	7.81	Operating income	4,766	62.39	14.48
0.86	0.92	Interest and other income	160	17.84	79.29
(0.03)	(0.10)	Interest expense	59	60.82	100.00
(0.30)	(0.22)	Foreign exchange loss	(156)	(73.24)	(20.62)
(0.18)	0.25	Minority interest	(469)	(190.65)	118.17
0.35	0.85		(406)	(48.74)	140.52
10.41	8.66	Income before income taxes	4,360	51.46	20.71
4.23	3.56	Provision for income taxes	1,728	49.57	13.15
6.18%	5.10%	Net income	\$ 2,632	52.79%	26.62%

</TABLE>

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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 and six months ended June 30, 1996. Sales revenue for the three and six months ended June 30, 1996, was \$63 million and \$123 million compared to \$51 million and \$98 million, an increase of 25 percent and 26 percent compared to corresponding periods of 1995, respectively.

Management believes the increase in sales for the three- and six-month periods 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. Additionally, the Company's sales revenue growth has been enhanced through international expansion. The Company's international operations reported sales revenue of \$43 million for the six months ended June 30, 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 15,309 at June 30, 1996, from 10,396 at June 30, 1995. The number of Distributors at June 30, 1996, was 485,500 compared to 280,830 at June 30, 1995.

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VOLUME INCENTIVES:

The dollar increase in volume incentives, for the three and six months ended June 30, 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 remain relatively constant, as a percent of sales, during the rest of 1996.

COST OF GOODS SOLD:

The Company has experienced a decrease in cost of goods sold of .47 percent and 1.38 percent, as a percentage of sales, for the three and six months ended June 30, 1996, respectively, compared to the same period last year. The decrease in cost of goods sold, as a percentage of sales, was primarily related to 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.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Company experienced a decrease in selling, general and administrative expenses (SG&A) of 1.91 percent and .91 percent, as a percent of sales, during the three and six month periods ended June 30, 1996, respectively, compared to the corresponding periods of 1995.

The decrease in SG&A expenses, as a percentage of sales, resulted from efficiencies due to the increase in sales revenue and improved budgetary controls and efforts to reduce dollar increases in SG&A. Management expects SG&A to decrease slightly, as a percentage of sales, during the rest of 1996.

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SUBSIDIARY OPERATIONS:

Domestic and international sales for the six months ended June 30, 1996, compared to the previous year are as follows:



## SALES REVENUE

	(Dollars in Thousands) (Unaudited)	
	1996	1995
DOMESTIC SALES REVENUE	\$ 80,777	\$65,664
INTERNATIONAL SALES REVENUE:		
Americas	33,308	24,099
Asia Pacific	6,716	5,404
Other	2,494	2,620
TOTAL INTERNATIONAL	42,518	32,123
TOTAL SALES REVENUE	\$123,295	\$97,787

Domestic and international operating income for the six months ended June 30, 1996, compared to the previous year are as follows:

## OPERATING INCOME

	(Dollars in Thousands) (Unaudited)	
	1996	1995
DOMESTIC OPERATING INCOME	\$ 7,814	\$5,140
INTERNATIONAL OPERATING INCOME:		
Americas	4,477	2,618
Asia Pacific	7	(501)
Other	107	382
TOTAL INTERNATIONAL	4,591	2,499
TOTAL OPERATING INCOME	\$12,405	\$7,639

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Domestic and international assets as of June 30, 1996, compared to December 31, 1995, balances are as follows:

	(Dollars in Thousands) (Unaudited)	
	June 30 1996	December 31 1995
ASSETS		
DOMESTIC ASSETS	\$50,280	\$40,996
INTERNATIONAL ASSETS:		
Americas	24,320	18,941
Asia Pacific	4,178	4,239
Other	928	1,071
TOTAL INTERNATIONAL	29,426	24,251
TOTAL ASSETS	\$79,706	\$65,247

## BALANCE SHEET

## ACCOUNTS RECEIVABLE

Accounts receivable increased approximately \$1 million during the six months ended June 30, 1996. The increase in receivables is related to the Company's growing international operations as well as promotional incentives offered during the second quarter.

#### PREPAID EXPENSES AND OTHER

Prepaid expenses and other increased approximately \$2 million during the six months ended June 30, 1996. The increase is the result of deposits made for the Company's travel incentive programs as well as required tax deposits.

#### ACCRUED VOLUME INCENTIVES

Accrued volume incentives increased approximately \$2 million during the first six months of the year as a direct result of increased sales revenue.

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#### ACCRUED LIABILITIES

The balance of accrued liabilities increased approximately \$3 million during the six months ended June 30, 1996. The increase in accrued liabilities reflects the increased level of sales revenue and related accruals for incentives such as conventions and other travel awards.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately \$8 million for the six months ended June 30, 1996. The increase in cash and cash equivalents is primarily the result of operations as well as increases in current liabilities.

The Company acquired approximately \$4 million in machinery, equipment and building improvements during the first six months of 1996 to improve its manufacturing and administrative capabilities. Approximately \$1.2 million was used for the payment of dividends during the first six months.

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, otherwise these facilities will be funded through working capital.

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Management believes that future working capital requirements can be internally funded. Management expects cash and investments to increase during the remainder of 1996, primarily resulting from operations. However, cash and investments may be reduced in the event the Company proceeds with the capital projects mentioned above.

## PART II OTHER INFORMATION

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on May 20, 1996. At the meeting, the following persons were re-elected as Directors of the Company to serve until the next Annual Meeting or until their successors are elected and qualified.

DIRECTOR	FOR	WITHHOLD AUTHORITY
-----	-----	-----
Kristine F. Hughes	17,100,788	185,586
Alan D. Kennedy	17,100,444	185,830

At the meeting, the shareholders also adopted and approved the Company's 1995 Stock Option Plan as described in the Company's Proxy Statement for the meeting. Shareholders voted on the Plan as follows:

FOR	AGAINST	ABSTENTIONS OR NON-VOTES
-----	-----	-----
11,784,337	2,206,231	-0-

## PART II OTHER INFORMATION (cont.)

## 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.

August 8, 1996

/s/ Alan D. Kennedy

-----  
Alan D. Kennedy, President and  
Chief Executive Officer

August 8, 1996

/s/ Douglas Faggioli

-----  
Douglas Faggioli, Chief Financial Officer

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