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

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee required]

For the Fiscal Year Ended December 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No fee required]

For the transition period from N/A to N/A

Commission File Number 0-8707

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)	(I.R.S. Employer Identification No.)

75 EAST 1700 SOUTH, PROVO, UTAH	84606
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 342-4407

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

Title of each class	Name of each exchange on which registered
NONE	NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(TITLE OF CLASS)

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant on March 13, 1997 was approximately $284,043,790.

The number of shares of Common Stock, without par value, outstanding on March 13, 1997 was 18,857,679 shares.

Documents Incorporated by Reference:

Proxy Statement for May 19, 1997 Annual Meeting of Shareholders (Part III of this Report).

PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Nature's Sunshine Products, Inc., incorporated in Utah in 1976, and its subsidiaries (hereinafter referred to collectively as the "Company") is primarily engaged in the manufacturing and marketing of nutritional and personal care products. The Company sells its products to a sales force of independent distributors who use the products themselves or resell them to other distributors or consumers.

The Company markets its products directly in the United States, Brazil, Colombia, Mexico, Japan, Canada, Venezuela, the United Kingdom, El Salvador, Guatemala, Costa Rica, Peru, Panama, Argentina, Ecuador, Honduras and Nicaragua. The Company also exports its products to several other countries, including Australia, Malaysia, New Zealand, Norway and the Philippines.

FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company is principally engaged in one line of business, namely, the sale of nutritional and personal care products. Information, for each of the Company's last three fiscal years, with respect to the amounts of revenue from sales to unaffiliated customers, operating profit and identifiable assets of this segment is set forth under Item 6 of this Report and such information is incorporated by this reference and made a part hereof.

NARRATIVE DESCRIPTION OF BUSINESS

The principal business of the Company and its predecessors has been the manufacture and sale of nutritional and personal care products since 1972. The Company's nutritional products include herbs, vitamins, beverages, mineral and food supplements and homeopathic remedies. Personal care products include natural skin, hair and beauty care products. Additional information with respect to the Company's business is set forth below:

PRODUCTS AND MANUFACTURING

The Company is engaged in the manufacture and distribution of nutritional and personal care products which are primarily sold to independent distributors who resell the Company's products directly to consumers, other distributors, or use the products themselves. The Company purchases herbs and other raw materials in bulk, and after quality control testing, encapsulates, tabulates or concentrates them and then packages them for shipment. Most of the Company's products are manufactured at its facilities in Spanish Fork, Utah. Certain of the Company's personal care products are manufactured for the Company, in accordance with its specifications and standards, by contract manufacturers. The Company has implemented stringent quality control procedures to verify that the contract manufacturers have complied with its specifications and standards.

DISTRIBUTION AND MARKETING

The Company attracts independent distributors who explain and market the Company's products through direct selling techniques to consumers and sponsor other distributors. The Company motivates and provides incentives to its independent sales force through a combination of high quality products, product support, financial benefits, sales conventions, travel programs and a variety of training seminars.

The Company's domestic product sales are shipped directly from its manufacturing facilities located in Spanish Fork, Utah, as well as from its regional warehouses located in Columbus, Ohio; Dallas, Texas and Atlanta, Georgia. Each subsidiary operation maintains an inventory to supply its customers.

Demand for the Company's products is created by approximately 522,000 active members (at December 31, 1996) of the Company's independent distributor sales force. A person who wishes to join the Company's independent sales force begins as a "Distributor". One can become a Distributor only by applying to the Company under the sponsorship of someone who is already a member of the independent sales force. A Distributor interested in earning additional income by committing more time and effort to selling the Company's products may be appointed to "Manager" status. Appointment as a Manager is dependent upon attaining certain purchase volume levels and demonstrating leadership abilities. Managers numbered approximately 11,700 at December 31, 1996. Managers resell the products they purchase from the Company to the Distributors in their sales group, to consumers or use the products themselves. Many Distributors sell on a part-time basis to friends or associates or consume the Company's products themselves.

Domestically, the Company generally sells its products on a cash or credit card basis. For certain of the Company's international operations, the Company uses independent distribution centers and offers credit terms consistent with industry standards.

The Company pays its Managers sales commissions ("overrides") and volume discounts based upon the amount of personal product purchases as well as their sales group volume. Reference is made to Item 8 contained herein for the total commissions and discounts ("Volume Incentives") paid by the Company for the years ended December 31, 1994 through 1996. In addition, Managers who qualify by attaining certain levels of monthly product purchases are eligible for additional incentive programs including automobile allowances, medical and dental insurance and travel.

SOURCE AND AVAILABILITY OF RAW MATERIALS

Raw materials used in the manufacture of the Company's products are available from a number of suppliers, and the Company has not experienced any major difficulty in obtaining adequate sources of supply. The Company attempts to assure the availability of many of its raw materials by contracting, in advance, for its annual requirements. In the past, the Company has found alternative sources of raw materials when needed, and therefore, believes it will be able to do so in the future.

TRADEMARKS AND TRADE NAMES

The Company has obtained trademark registrations of its basic trademarks, "Nature's Sunshine", and the landscape logo for all of its product lines, as well as the trademark "Nature's Spring" for its water purifier. The Company also owns numerous trademark registrations in the United States and in many foreign countries.

SEASONALITY

The business of the Company does not reflect significant seasonality.

WORKING CAPITAL ITEMS

The Company maintains a substantial inventory of raw materials and finished goods in order to provide a high level of service to its independent distributors.

DEPENDENCE UPON CUSTOMERS

The Company is not dependent upon a single customer or a few customers, the loss of which would have a material adverse effect on its business.

BACKLOG

Orders for the Company's products are typically shipped within 24 hours after receipt; and as a result, there is no significant amount of backlog at any given time.

COMPETITION

The Company's products are sold in domestic and foreign markets in competition with other companies, some of which have greater sales volumes and financial resources than the Company, and which sell brands that are, through advertising and promotions, better known to consumers. The Company competes in the nutritional and personal care industry against companies which sell heavily advertised and promoted products through retail stores as well as against other direct selling companies. For example, the Company competes against numerous manufacturers and retailers of nutritional and personal care products which are distributed through supermarkets, department stores, drug stores, health food stores, beauty salons, etc. In addition to its competition with these manufacturers and retailers, the Company competes for product sales and independent distributors with many other direct sales companies, including Shaklee, NuSkin and Amway.

The Company is one of the world's largest distributors of encapsulated and tableted herbal products. The principal competitors in the encapsulated and tableted herbal market include Twinlab (New York), Rexall Sundown (Florida), Nature's Way (Utah) and Sunrider (California).

The Company believes that the principal methods of competition in the direct sales marketing of nutritional and personal care products are quality, price and brand name. In addition, the recruitment, training, financial and travel incentives for the independent sales force are important factors.

RESEARCH AND DEVELOPMENT

The Company conducts its research and development activities at its manufacturing facilities located in Spanish Fork, Utah. Principal emphasis of the Company's research and development activities is the development of new products and improvement of existing products for domestic and foreign markets. The amount excluding capital expenditures spent during each of the last three years on Company-sponsored research and development activities was approximately $1,400,000, $1,100,000 and $800,000 in 1996, 1995 and 1994, respectively. The Company has no third-party-sponsored research.

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

The nature of the Company's business has not required any material capital expenditures to comply with Federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment. No material expenditures to meet such provisions are anticipated. Such regulatory provisions have not had any material effect upon the Company's earnings or competitive position.

REGULATION

One or more of the following agencies regulates the formulation, labeling and advertising of each of the Company's major product groups: the Federal Food and Drug Administration ("FDA"), the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission ("CPSC") and various agencies of the countries and states into which the Company's products are shipped or sold. In addition, the Company's distribution and sales program is, like that of other companies operating in interstate commerce, subject to the jurisdiction of the FTC and a number of other Federal and state agencies. Various state agencies regulate multi-level distribution activities.

As a result of the Company's efforts to comply with applicable statutes and regulations, the Company has from time to time reformulated, relabeled or eliminated certain of its products and revised certain provisions of its sales and marketing program. The Company believes it is in material compliance with the applicable Federal and state rules and regulations pertaining to its products and marketing program.

EMPLOYEES

The approximate number of people employed by the Company as of December 31, 1996, was 955. The Company believes that its relations with its employees are satisfactory.

INTERNATIONAL OPERATIONS

The Company's direct sales of nutritional and personal care products are established internationally in Brazil, Colombia, Mexico, Japan, Canada, Venezuela, the United Kingdom, El Salvador, Guatemala, Costa Rica, Peru, Panama, Argentina, Ecuador, Honduras and Nicaragua. The Company also exports its products to numerous other countries, including Australia, Malaysia, New Zealand, Norway and the Philippines. Information, for each of the Company's last three years, with respect to the amounts of revenue, operating income, and identifiable assets attributable to domestic and international operations, is set forth in Note 9 of the Notes to Consolidated Financial Statements appearing in Item 8 of this Report, and such information is incorporated herein by reference and made a part hereof.

The Company's international operations are conducted in a manner substantially the same as those conducted domestically; however, in order to conform to local variations, economic realities, market customs, consumer habits and regulatory environments, differences exist in the products and in the distribution and marketing programs.

The Company's international operations are subject to many of the same risks faced by the Company's domestic operations. These include competition and the strength of the local economy. In addition, international operations are subject to certain risks inherent in carrying on business abroad, including foreign regulatory restrictions, fluctuations in monetary exchange rates, import-export controls and the economic and political policies of foreign governments. The importance of these risks increases as the Company's international operations grow and expand. The Company's operations in Mexico, Colombia and Venezuela have been affected by currency devaluations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company has included forward-looking statements concerning its business and operations in this Form 10-K. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected.

ITEM 2. PROPERTIES

The Company's corporate offices are located in two adjacent office buildings in Provo, Utah. The facilities are leased from an unaffiliated third party and consist of approximately 50,000 square feet. The lease agreement for the main building, comprising approximately 32,000 square feet, is for a 5 1/2 year term (of which 1/2 year remains) and grants the Company an option to purchase the premises. Management expects to continue to utilize this facility either by extending the lease arrangement or by exercising its option to purchase. The lease for the second building, approximately 18,000 square feet, expires in four years.

The Company's principal manufacturing facilities are housed in a building owned by the Company, of approximately 136,000 square feet, located on approximately ten acres in Spanish Fork, Utah. The building was constructed to the Company's specifications in 1977. The building has been expanded on several occasions and presently includes approximately 34,000 square feet of office space and 102,000 square feet of manufacturing and warehouse space. The building is suited to the Company's business, and is presently being utilized at approximately 95

percent of its productive capacity. The Company is in the process of evaluating the expansion of its manufacturing facilities. The preliminary capital budget for this expansion is approximately $10 million. The Company also leases a 65,000-square-foot building, on a month-to-month basis, in Spanish Fork to supplement the warehousing of finished goods inventory.

In 1996, the Company purchased an office building and warehouse in Mexico, approximately 60,000 square feet, for approximately $2.4 million including improvements. These buildings were acquired to provide adequate facilities for the Company's administrative and warehousing needs.

In 1995, the Company purchased one floor of an office building in Venezuela. This office space, approximately 10,000 square feet, was purchased to provide an adequate facility for the administrative functions.

The Company also leases properties used primarily as distribution warehouses which are located in Columbus, Ohio; Dallas, Texas; Atlanta, Georgia; as well as Venezuela, Colombia, Japan, Brazil, Canada, the United Kingdom, Costa Rica, Panama, Peru, El Salvador, Guatemala, Argentina, Ecuador, Honduras and Nicaragua. Management believes these facilities are suitable for their respective uses and are, in general, adequate for the Company's present needs.

ITEM 3. LEGAL PROCEEDINGS

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 will not have a material effect upon the Company's results of operations or financial position.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the NASDAQ National Market System (symbol NATR). The information in the table below reflects the actual high and low sales prices of the Company's stock for 1996 and 1995, and has been restated to reflect the three-for-two stock split declared in February 1996.

	Market Prices			Market Prices	
1996	HIGH	LOW	1995	HIGH	LOW
First Quarter	32	19 1/2	First Quarter	9 1/3	6 1/2
Second Quarter	30 1/2	22	Second Quarter	10 1/2	6 2/3
Third Quarter	26 1/2	16	Third Quarter	18	10 1/6
Fourth Quarter	24 3/4	16 3/4	Fourth Quarter	18 2/3	14

There were approximately 1,297 shareholders of record as of March 13, 1997. The Company has paid 34 consecutive quarterly cash dividends.

ITEM 6. SELECTED FINANCIAL DATA
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
DOLLAR AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE INFORMATION

<TABLE>

INCOME STATEMENT DATA

	Sales Revenue	Cost of Goods Sold	Volume Incentives	Selling, General & Administrative Expenses	Operating Income	Income Before Income Taxes	Net Income
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	$249,046	$44,886	$114,419	$63,252	$26,489	$27,869	$16,848
1995	205,566	38,533	94,316	55,221	17,496	20,189	11,878
1994	160,901	30,839	74,163	41,691	14,208	14,511	8,448
1993	127,194	24,210	59,741	31,747	11,496	12,279	7,455
1992	101,044	18,478	46,433	27,644	8,489	9,885	5,919
1991	72,605	13,962	33,427	18,685	6,531	7,247	4,622
1990	60,069	12,353	27,660	15,089	4,967	5,810	3,600
1989	52,082	10,294	24,026	11,997	5,765	6,399	3,958
1988	44,516	8,721	20,580	10,465	4,750	5,119	3,317
1987	38,184	7,510	18,145	9,118	3,411	3,727	2,042

</TABLE>

<TABLE>
BALANCE SHEET DATA

	Working Capital	Current Ratio	Inventories	Property, Plant & Equipment, Net	Total Assets	Long-Term Debt	Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	$39,560	2.44:1	$24,459	$20,197	$91,966	$---	$63,163
1995	24,433	2.07:1	23,127	13,088	65,247	---	41,505
1994	18,798	2.06:1	17,278	9,919	52,458	---	33,279
1993	14,223	2.16:1	11,171	9,672	41,534	---	28,850
1992	11,125	2.19:1	9,367	8,917	33,987	---	23,924
1991	10,242	2.35:1	6,523	7,500	27,420	---	19,614
1990	9,570	2.89:1	4,836	6,885	22,004	11	16,543
1989	7,740	2.47:1	3,747	6,384	20,054	24	14,423
1988	6,939	2.64:1	3,271	5,964	17,538	36	12,855
1987	3,783	1.84:1	2,780	5,797	14,582	239	9,460

(CONTINUED NEXT PAGE)

</TABLE>

COMMON SHARE SUMMARY

	Cash Dividends Per Share(1)	Net Income Per Share	Book Value Per Share(2)	Weighted Average Shares
1996	$.133	$.86	$3.30	19,683,964
1995	.133	.63	2.25	18,887,894
1994	.120	.45	1.81	18,779,229
1993	.120	.40	1.57	18,610,359
1992	.093	.32	1.30	18,555,737
1991	.073	.25	1.07	18,461,408
1990	.067	.19	.91	18,373,494
1989	.067	.21	.79	18,537,480
1988	.026	.17	.69	18,934,971
1987	---	.11	.53	18,011,042

<TABLE>
OTHER INFORMATION

	Return on Shareholders' Equity(3)	Return on Assets(4)	Number of Managers	Square Footage of Property In Use	Number of Employees
<S>	<C>	<C>	<C>	<C>	<C>
1996	32.2%	21.4%	11,694	485,772	955
1995	31.8	20.2	11,547	443,895	862
1994	27.2	18.0	8,404	346,747	718
1993	28.3	19.6	6,328	315,772	588
1992	27.2	19.3	6,150	244,789	443

1991	25.6	18.7	4,866	195,165	344
1990	23.3	17.1	3,798	161,765	281
1989	29.0	21.1	2,999	161,265	278
1988	29.7	20.7	2,645	157,765	247
1987	24.2	15.6	2,502	150,149	218

(1) The Company expects to continue paying cash dividends.
(2) Year end shareholders' equity divided by actual shares outstanding at the end of each year.
(3) Net income divided by average shareholders' equity.
(4) Net income divided by average total assets.
The information in the preceding tables has been adjusted, where necessary, to reflect stock dividends and splits.
</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

SALES REVENUE

Consolidated sales revenue for the year ended December 31, 1996, was $249.0 million compared to $205.6 million in 1995, an increase of 21 percent. Sales revenue increased 28 percent in 1995 compared to $160.9 million reported in 1994. The increases in sales revenue are directly related to the growth of the Company's independent sales force and international operations, and the continued expansion of the nutritional products market.

The Company distributes its products to consumers through an independent sales force comprised of managers and distributors. Active managers totaled approximately 11,700, 11,500 and 8,400 for 1996, 1995 and 1994, respectively. Active distributors totaled approximately 522,000, 373,000 and 212,000 for 1996, 1995 and 1994, respectively.

A price increase of approximately three percent went into effect on April 1, 1996, and resulted in greater sales revenue for the year. A minor price adjustment of less than one percent is scheduled to become effective on April 1, 1997. Management believes that this price adjustment will not have a significant impact on sales revenue.

Sales revenue, related to the Company's domestic operations, increased approximately 17 percent for 1996 and 23 percent for 1995. International sales revenue increased approximately $19.7 million in 1996, or 28 percent, and $19.3 million in 1995, or 39 percent. The Company's operations in Brazil, Colombia, El Salvador, Japan and Mexico were the principal drivers of the growth in international sales, contributing approximately $19.9 million to the increase in sales revenue in 1996. The Company's operations in Mexico experienced a sales revenue decrease of $11.4 million in 1995 primarily as the result of the continued devaluation of the peso during 1995. The decrease in sales revenue reported for Mexico during 1995 was more than offset by revenue increases in other international operations, most notably Japan, Venezuela, Brazil and Colombia.

COSTS AND EXPENSES

The Company's costs and expenses, which include cost of goods sold, volume incentives, and selling, general and administrative expenses, are identified as a percentage of sales in the table below:

Year ended December 31	1996	1995	1994
Cost of goods sold	18.0%	18.7%	19.2%
Volume incentives	46.0	45.9	46.1
Selling, general and administrative expenses	25.4	26.9	25.9
	89.4%	91.5%	91.2%

COST OF GOODS SOLD

Cost of goods sold decreased as a percent of sales during 1996 and 1995 as a result of increased efficiencies in the Company's manufacturing operations as well as pricing adjustments in the Company's subsidiary operations.

Management believes that cost of goods sold will decrease slightly as a percent of sales during 1997 as a result of continued improvements in manufacturing efficiencies.

VOLUME INCENTIVES

Volume incentives are a significant part of the Company's direct sales marketing program and represent payments made to its independent sales force. These payments are designed to provide incentives for reaching higher sales levels and to encourage organizational development. Total volume incentives varied slightly during 1996 and 1995 as a percent of sales.

Management expects volume incentives to remain relatively constant as a percent of sales during 1997.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased, as a percent of sales, during 1996 primarily as the result of increased sales revenue and improved budgetary cost controls. Additionally, the Company incurred approximately $.8 million of incremental selling, general and administrative expenses in connection with its newest subsidiary operation in Argentina.

In addition to typical selling and administrative expenses, this expense category includes costs for research and development, distribution, as well as incentive programs such as the Company's conventions.

Selling, general and administrative expenses increased as a percent of sales during 1995 primarily as the result of disproportionate costs of $6.3 million incurred in Japan and Brazil. Additionally, the Company's operations in Mexico experienced a slight increase in selling, general and administrative expenses as a percent of sales during 1995, primarily as a result of the continued devaluation of the Peso.

Management believes that selling, general and administrative expenses will decrease as a percent of sales during 1997 as the result of continued emphasis on cost containment and improved sales revenue in certain of the Company's international operations.

OTHER INCOME AND EXPENSE

Other income (expense) consists of the following (in thousands):

Year ended December 31	1996	1995	1994
Interest and other income	$2,021	$1,921	$ 503
Interest expense	(63)	(173)	(46)
Foreign exchange loss	(787)	(280)	(745)
Minority interest	209	1,225	591
	$1,380	$2,693	$ 303

INTEREST AND OTHER INCOME

Interest and other income is earned principally from investments of excess operating cash balances. Investment income will vary depending upon the rate of interest, the investment instruments available and the need for cash in the Company's operations. It is management's policy to invest only in high-grade investments.

Interest income increased during 1996 and 1995 as the result of greater cash balances available for investment as well as higher yields obtained in certain of the Company's international operations. Management expects interest and other income to decrease during 1997 as the result of the cash requirements for anticipated capital projects during the year.

FOREIGN EXCHANGE GAIN (LOSS)

Because of its operations outside of the United States, the Company is subject to realized and unrealized foreign exchange gains and losses. The Company experienced exchange losses of

approximately $.8 million and $.3 million during 1996 and 1995, respectively. The losses were primarily related to the Company's operations in Venezuela, Mexico and Japan.

MINORITY INTEREST

The Company eliminates the minority interest in its subsidiaries which are not wholly owned. Accordingly, the Company eliminated approximately $.2 million and $1.2 million of losses reported by subsidiaries in 1996 and 1995, respectively.

INCOME TAXES

The Company's effective tax rate was 40, 41, and 42 percent for 1996, 1995, and 1994, respectively.

INVENTORIES

Consolidated inventories increased approximately $1.3 million or 6 percent in 1996, compared to an increase of $5.8 million or 34 percent in 1995. These increases resulted primarily from an increase in the level of inventory the Company maintains due to increased domestic and international sales, the addition of new subsidiaries as well as the introduction of new products.

PREPAID EXPENSES AND OTHER

Prepaid expenses and other increased approximately $4.4 million in 1996, primarily due to increased income tax deposits and other tax assets in 1996 compared to 1995.

ACCRUED VOLUME INCENTIVES

Accrued volume incentives increased approximately $1.5 million at the end of 1996, compared to the prior year, as a direct result of increased sales revenue. Volume incentives are a significant part of the Company's direct sales marketing program and represent payments made to its independent sales force.

ACCRUED LIABILITIES

Accrued liabilities increased approximately $3.4 million at the end of 1996, compared to the prior year. The increase is generally related to the growth in sales revenue and expenses associated with the Company's incentive travel programs.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased approximately $13.7 million during 1996. The increase was the result of cash generated by operations, an increase in short-term liabilities and proceeds and tax benefits from the exercise of employee stock options.

Cash was used during 1996 to purchase approximately $10.5 million of property, plant and equipment. The Company paid approximately $2.5 million in cash dividends. Volume

incentive payments increased approximately $19.9 million during 1996, primarily as the result of increased sales. Payments to suppliers and employees increased approximately $12.5 million as a result of higher levels of inventory and production to support higher levels of sales, as well as increased employment-related costs. Treasury stock purchases totaled approximately $4.9 million. The Company is in the process of planning the expansion of its manufacturing facility. The preliminary capital budget for the expansion is approximately $10.0 million. In the first quarter of 1996, the Company purchased an office building and warehouse in Mexico for approximately $2.4 million, to provide an adequate facility for its administrative and warehousing operations.

Management believes that the Company's stock is an attractive investment and, pursuant to its previously announced 500,000 share buyback program, may utilize some of its available cash to purchase up to the remaining balance of approximately 112,400 shares, as of February 28, 1997, should market conditions warrant.

The Company is in the process of opening another international market. Management believes that the initial capitalization of this new market will require $1.0 million to $2.0 million.

Options for 926,247 shares of the Company's common stock were exercised during 1996. The cash flow benefit to the Company during the year was approximately $12.1 million.

Management believes that future working capital requirements can be met through internally-generated funds or can be arranged through credit facilities on favorable terms.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Nature's Sunshine Products, Inc.:

We have audited the accompanying consolidated balance sheets of Nature's Sunshine Products, Inc. (a Utah corporation) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nature's Sunshine Products, Inc. and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California
February 4, 1997

CONSOLIDATED STATEMENTS OF INCOME
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
AMOUNTS IN THOUSANDS EXCEPT PER SHARE INFORMATION

Year ended December 31	1996	1995	1994
Sales Revenue	$249,046	$205,566	$160,901
Costs and expenses:			
Cost of goods sold	44,886	38,533	30,839
Volume incentives	114,419	94,316	74,163
Selling, general and administrative expenses	63,252	55,221	41,691

	222,557	188,070	146,693
Operating Income	26,489	17,496	14,208
Other income (expense):			
Interest and other income	2,021	1,921	503
Interest expense	(63)	(173)	(46)
Foreign exchange loss	(787)	(280)	(745)
Minority interest	209	1,225	591
	1,380	2,693	303
Income before income taxes	27,869	20,189	14,511
Provision for income taxes	11,021	8,311	6,063
Net Income	$ 16,848	$ 11,878	$ 8,448
Net Income Per Common Share	$ .86	$ .63	$ .45
Weighted Average Shares Outstanding	19,684	18,888	18,779

The accompanying significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
AMOUNTS IN THOUSANDS

As of December 31	1996	1995
ASSETS		
Current assets:		
Cash and cash equivalents	$27,879	$14,172
Accounts receivable, net of allowance for doubtful accounts of $417 in 1996 and $346 in 1995	6,698	6,042
Inventories	24,459	23,127
Notes receivable from related parties	---	213
Prepaid expenses and other	8,014	3,619
Total current assets	67,050	47,173
Property, plant and equipment, net	20,197	13,088
Long-term investments	2,048	2,381
Other assets	2,701	2,605
	$91,996	$65,247
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 2,788	$ 2,042
Accounts payable	4,225	5,031
Accrued volume incentives	8,729	7,207
Accrued liabilities	9,992	6,577
Income taxes payable	1,756	1,883
Total current liabilities	27,490	22,740
Deferred income taxes	1,343	1,002
Shareholders' equity:		
Common stock, no par value, authorized 20,000 shares,		

issued 19,446 shares and 19,412 shares in 1996 and 1995, respectively	39,406	31,263
Retained earnings	33,549	19,214
Treasury stock, at cost, 334 and 1,012 shares as of December 31, 1996 and 1995, respectively	(5,868)	(4,942)
Receivables from related parties	(84)	(293)
Cumulative foreign currency translation adjustments	(3,840)	(3,737)
Total shareholders' equity	63,163	41,505
	$91,996	$65,247

The accompanying significant accounting policies and notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
AMOUNTS IN THOUSANDS

<TABLE>

Year ended December 31	1996	1995	1994
<S>	<C>	<C>	<C>
COMMON STOCK:			
Balance at beginning of year	$31,263	$29,849	$ 15,794
Tax benefit related to exercise of stock options	6,328	683	138
Issuance of 3, 1 and 16, shares of treasury stock, respectively	44	13	201
Issuance of 926, 129 and 40 shares of treasury stock, respectively, on exercise of stock options	1,771	721	157
Stock dividend	---	(3)	13,559
Balance at end of year	39,406	31,263	29,849
RETAINED EARNINGS:			
Balance at beginning of year	19,214	9,778	17,118
Net income	16,848	11,878	8,448
Stock dividend	---	---	(13,559)
Cash dividends	(2,513)	(2,442)	(2,229)
Balance at end of year	33,549	19,214	9,778
TREASURY STOCK:			
Balance at beginning of year	(4,942)	(3,742)	(3,500)
Purchase of common stock	(4,902)	(1,298)	(285)
Cost of treasury stock issued	3,976	98	43
Balance at end of year	(5,868)	(4,942)	(3,742)
RECEIVABLES FROM RELATED PARTIES:			
Balance at beginning of year	(293)	(405)	(418)
Reductions	209	112	13
Balance at end of year	(84)	(293)	(405)
CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENTS:			
Balance at beginning of year	(3,737)	(2,200)	(144)
Foreign currency translation adjustments	(103)	(1,537)	(2,056)
Balance at end of year	(3,840)	(3,737)	(2,200)
TOTAL SHAREHOLDERS' EQUITY	$63,163	$41,505	$ 33,280

The accompanying significant accounting policies and notes to consolidated financial statements are an integral part of these statements.
</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
AMOUNTS IN THOUSANDS
<TABLE>
Increase (Decrease) in Cash and Cash Equivalents

Year ended December 31	1996	1995	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales revenue	$ 247,566	$204,085	$159,447
Cash paid as volume incentives	(112,897)	(92,986)	(72,002)
Cash paid to suppliers and employees	(107,269)	(94,740)	(76,727)
Interest paid	(62)	(173)	(46)
Interest received	2,058	1,868	371
Income taxes paid	(10,807)	(7,462)	(3,774)
Net cash provided by operating activities	18,589	10,592	7,269
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(10,544)	(6,098)	(2,590)
Sale (purchase) of long-term investments, net	333	672	(683)
Payments received (advanced) on long-term receivables, net	(170)	393	325
Payments from (advanced to) related parties	489	(68)	89
Purchase of other assets	(215)	(331)	(1,235)
Proceeds from sale of assets	344	---	---
Minority interest elimination	(396)	341	336
Net cash used in investing activities	(10,159)	(5,091)	(3,758)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of cash dividends	(2,513)	(2,446)	(2,229)
Purchase of treasury stock	(4,902)	(1,298)	(285)
Proceeds from short-term debt, net	746	509	1,533
Proceeds from exercise of stock options	5,732	819	187
Tax benefit from stock option exercise	6,328	683	138
Issuance of treasury stock	60	14	215
Net cash provided by (used in) financing activities	5,451	(1,719)	(441)
EFFECT OF EXCHANGE RATES ON CASH	(174)	(811)	(536)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,707	2,971	2,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,172	11,201	8,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 27,879	$ 14,172	$ 11,201
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
NET INCOME	$ 16,848	$ 11,878	$ 8,448
Bad debt expense and reserve	133	242	839
Depreciation and amortization	3,420	3,467	3,067
Gain on sale of fixed assets	(96)	---	---
Increase in accounts receivable, net	(788)	(1,349)	(1,681)
Increase in inventories	(1,332)	(5,849)	(6,107)
Increase in prepaid expenses and other	(4,010)	(1,593)	(402)
(Decrease) increase in income taxes payable	(126)	818	997
Increase in accrued liabilities and volume incentives	4,936	3,090	1,833
(Decrease) increase in accounts payable	(806)	558	1,129
Increase in deferred income taxes	341	55	667
Foreign currency translation adjustment	69	(725)	(1,521)
Total adjustments	1,741	(1,286)	(1,179)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 18,589	$ 10,592	$ 7,269

The accompanying significant accounting policies and notes to consolidated financial statements are an integral part of these statements.
</TABLE>

SIGNIFICANT ACCOUNTING POLICIES
NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE INFORMATION

NATURE OF OPERATIONS

Nature's Sunshine Products, Inc., and its subsidiaries (hereinafter referred to collectively as the "Company") is primarily engaged in the manufacturing and marketing of nutritional and personal care products. The Company sells its products to a sales force of independent distributors who use the products themselves or resell them to other distributors or consumers.

The Company markets its products directly in the United States, Brazil, Colombia, Mexico, Japan, Canada, Venezuela, the United Kingdom, El Salvador, Guatemala, Costa Rica, Peru, Panama, Argentina, Ecuador, Honduras and Nicaragua. The Company also exports its products to numerous other countries, including Australia, Malaysia, New Zealand, Norway and the Philippines.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Nature's Sunshine Products, Inc. and its majority-owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

NET INCOME PER SHARE

Net income per share is based upon the weighted average number of common shares and common equivalent shares outstanding during the period. Common equivalent shares consist primarily of stock options, which have a dilutive effect when applying the treasury stock method.

The Board of Directors declared a three-for-two stock split to shareholders of record March 4, 1996, and a ten percent stock dividend to shareholders of record February 17, 1995. All per share amounts included in the consolidated financial statements and accompanying notes reflect the stock dividend and split.

INCOME TAXES

The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. Foreign and other tax credits are accounted for using the "liability" method, which reduces income tax expense in the year in which these credits are generated.

PERVASIVENESS OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TRANSLATION OF FOREIGN CURRENCIES

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

The Company translated the assets and liabilities of its international operations at rates of exchange in effect at year end, and the consolidated statements of income were translated at the average rates of exchange for the year. Gains and losses resulting from translation are accumulated as a separate component of shareholders' equity. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of income.

REVENUE RECOGNITION

For domestic sales, the Company generally receives its product sales price in cash accompanying orders from independent sales force members. For certain of the Company's international operations, the Company offers credit terms consistent with industry standards. A volume incentive payment related to product orders is made in the month following the sale. Sales and related volume incentives are recorded when the merchandise is shipped. Cash received for unshipped merchandise is recorded as a liability.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers all highly liquid short-term investments to be cash equivalents, which generally includes only investments with original maturities of three months or less.

DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE INFORMATION

SELLING EXPENSES

Independent sales force members may earn Company-paid attendance at conventions as well as other travel awards by achieving the required levels of product purchases within the qualification period. Convention costs and other travel expenses are accrued over the qualification period as they are earned. Accordingly, the Company accrued approximately $2,625 and $1,450 at December 31, 1996 and 1995, respectively.

RESEARCH AND DEVELOPMENT

All research and development costs are expensed as incurred. Total research and development costs were approximately $1,400, $1,100, and $800 for 1996, 1995 and 1994, respectively.

CASH DIVIDENDS PER COMMON SHARE

The Company declared and paid quarterly cash dividends totaling 13 1/3 cents per common share in 1996. The Company paid on March 7, 1997, a quarterly cash dividend of 3 1/3 cents per common share to shareholders of record on March 3, 1997.

NOTE 1: INVENTORIES

Inventories are stated at the lower of cost (using the first-in, first-out method) or market value. The composition of inventories is as follows:

As of December 31	1996	1995
Raw materials	$ 7,554	$ 7,772
Work in process	1,146	1,123
Finished goods	15,759	14,232
	$24,459	$23,127

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for buildings and improvements range from 20 to 30 years, and equipment, furniture and fixtures range from 3 to 10 years. Maintenance and repairs are charged to expense as incurred, and major improvements are capitalized. Gains or losses on sales or retirements are included in the consolidated statement of income in the year of disposition. The composition of property, plant and equipment is as follows:

As of December 31	1996	1995
Buildings and improvements	$ 11,659	$ 8,880
Machinery and equipment	9,094	7,992
Furniture and fixtures	11,188	7,381
	31,941	24,253
Accumulated depreciation and amortization	(13,092)	(11,376)
Land	1,348	211
	$ 20,197	$ 13,088

NOTE 3: INVESTMENTS

The following are the aggregate fair values and related gross unrealized holding gains and losses for securities available for sale at December 31, 1996 and 1995:

	1996	1995
Securities available for sale:		
Amortized cost	$14,073	$7,922
Gross unrealized holding gains	353	292
Gross unrealized holding losses	(43)	(194)

Aggregate fair value	$14,383	$8,020

During 1996 and 1995, the proceeds from the sales of available-for-sale securities was $4,226 and $3,598, respectively. The gross realized gains and gross realized losses on the sales of available-for-sale securities was $61 and $168, respectively, for the year ended December 31, 1996, and $34 and $63, respectively, for the year ended December 31, 1995. In determining the realized gains and losses, the Company has used the specific identification method to determine the cost of the investments.

The Company did not have any securities which were classified as held to maturity at December 31, 1996.

NOTE 4: SHORT-TERM DEBT

During 1994, the Company established operating lines of credit in Japan and Brazil to facilitate payment of start-up and initial operating expenses. During 1995, the Company paid the outstanding balance on the line of credit in Brazil. The Company increased its borrowings, which are payable in local currency, in Japan as a result of the favorable interest rate. The debt is unsecured and payable during 1997. The weighted average balance of the line of credit was $3,165 during 1996. The weighted average interest rate approximates two percent at December 31, 1996.

NOTE 5: INCOME TAXES

The provision for income taxes consists of the following:

Year ended December 31	1996	1995	1994
Current:			
Federal	$ 6,655	$4,984	$3,844
State	1,146	967	610
Foreign	3,249	2,305	2,275
	11,050	8,256	6,729
Deferred	(29)	55	(666)
Total provision for income taxes	$11,021	$8,311	$6,063

The domestic and foreign components of income before taxes are as follows:

Year ended December 31	1996	1995	1994
Domestic	$20,516	$14,617	$11,053
Foreign	7,353	5,572	3,458
Total	$27,869	$20,189	$14,511

The provision for income taxes as a percentage of income before taxes differs from the statutory Federal income tax rate due to the following:

Year ended December 31	1996	1995	1994
Statutory Federal income tax rate	35.0%	35.0%	34.3%
State income taxes, net of Federal income tax benefit	2.7	3.1	2.8
Foreign and other tax credits	(2.8)	(5.1)	(6.5)
Net effect of foreign subsidiaries tax attributes	5.3	6.8	12.1
Other	(.6)	1.4	(.9)
Effective tax rate	39.6%	41.2%	41.8%

The components of the deferred income tax assets and liabilities as of December 31, 1996 and 1995, are as follows:

	DECEMBER 31, 1996	December 31, 1995
Deferred tax assets:		
Allowance for doubtful accounts	$ 49	$ 31
Inventory unicap adjustment	408	479
Foreign tax credits	214	158
State income taxes	125	313
Accrued vacation	85	99
Inventory obsolescence reserve	117	170
Foreign currency exchange	---	58
Sale of subsidiary	250	---
Intangible assets	430	---
Total deferred tax assets	$ 1,678	$ 1,308
Deferred tax liabilities:		
Accelerated depreciation	$(1,172)	$ (696)
Gain on sale of subsidiaries	(171)	(306)
Total deferred tax liabilities	$(1,343)	$(1,002)

As of December 31, 1996, the Company has available net operating losses from its foreign subsidiaries for U.S. Federal income tax purposes and financial reporting purposes of approximately $3,800 and $4,200, respectively. The tax net operating losses will expire in 1999 through 2001. Certain of these net operating losses may be limited by the extent of foreign taxable income in future years.

The Company considers all international earnings which have not been previously taxed for U.S. purposes to be permanently invested in the international subsidiaries. As of December 31, 1996, such earnings were approximately $10,333. If U.S. taxes and foreign dividend withholding taxes had been provided on those earnings, net of the effect of utilization of foreign tax credits attributable to foreign taxes paid up to the incremental U.S. rate, such taxes would have approximated $630 as of December 31, 1996.

NOTE 6: STOCK OPTIONS

The Company has from time to time granted certain non-qualified stock options to officers, directors and key employees. Such grants have been made at the fair market value of the stock at the date of grant. At December 31, 1996, the Company had approximately 143,000 shares remaining in the 1995 Stock Option Plan, which are available to be granted to employees. At December 31, 1996, the Company had reserved approximately 300,000 treasury shares to accommodate the exercise of the outstanding options.

The Company accounts for the stock option plans under APB Opinion No. 25, under which no compensation cost has been recognized in the accompanying consolidated statements of income for the years ended December 31, 1996, 1995 and 1994. Had compensation costs been determined consistent with SFAS Statement No. 123, the Company's net income and earnings per share would have been reduced to the following proforma amounts:

Year ended December 31		1996	1995
Net Income	As reported	$16,848	$11,878
	Proforma	$14,447	$11,776
Earnings Per Share	As reported	$ .86	$ .63
	Proforma	$ .74	$ .63

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in both 1996 and 1995: risk-free interest rate of 6.5 percent; expected dividend yield of approximately 1 percent; expected lives of seven years and expected volatility of 47.5 percent.

Because SFAS Statement 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting proforma compensation cost may not be representative of what is to be expected in future years.

Stock option activity for 1994, 1995 and 1996 consisted of the following:

	Number of Shares (IN THOUSANDS)	Weighted Average Exercise Price
Options outstanding at December 31, 1993	1,570	$ 4.90
Options issued	406	$ 8.50
Options canceled	(1)	$ 3.03
Options exercised (a)	(66)	$ 2.81
Options outstanding at December 31, 1994 (b)	1,909	$ 5.74
Options issued (c)	1,701	$14.69
Options canceled	(39)	$ 6.67
Options exercised (a)	(194)	$ 4.23
Options outstanding at December 31, 1995 (b)	3,377	$10.32
Options issued (c)	313	$19.67
Options canceled	(135)	$15.01
Options exercised (a)	(960)	$ 5.97
Options outstanding at December 31, 1996 (b)	2,595	$12.81

(a) Shares issued related to the exercise of stock options were issued from treasury stock.
(b) Options for 2,012, 1,389 and 1,048 shares of common stock were exercisable on December 31, 1996, 1995 and 1994, respectively, with weighted average exercise prices of $11.69, $5.36 and $4.26, respectively.
(c) The weighted average fair value of options granted were $10.82 and $7.90 for 1996 and 1995, respectively.

NOTE 7: EMPLOYEE BENEFIT PLANS

DEFERRED COMPENSATION PLAN

The Company sponsors a qualified deferred compensation plan (401(k)). The Company contributes matching contributions of 100 percent of employee contributions up to a maximum of five percent of the employee's compensation. Employer contributions to the plan during 1996, 1995 and 1994 were approximately $451, $478 and $284, respectively.

MANAGEMENT AND EMPLOYEE BONUS PLAN

The Company has a bonus plan that provides for participants to receive payments based upon the annual increase in revenue and operating income. The expense related to the plan was approximately $2,822, $2,706 and $1,912 for 1996, 1995 and 1994, respectively. All employees participate in the plan.

NOTE 8: RELATED PARTY TRANSACTIONS

In the second quarter of 1995, the Company advanced $120 to one of its officers on a short-term basis at an interest rate of nine percent. The loan was repaid with interest during the third quarter.

In the second quarter of 1995, the Company advanced $250 to a key employee. The loan was collateralized and had an interest rate of nine percent. The loan was repaid during 1996.

During 1993 and 1992, the Company made loans to certain officers of the Company, primarily to purchase Company stock in the open market. The balance of these loans was $84 and $293 at December 31, 1996 and 1995, respectively.

During 1996, the Company purchased several buildings in Mexico for its administrative and warehousing operations. The Company made improvements to the buildings at a cost of $483. The improvements were made by a company, which is owned by a relative of a key employee of the Mexican operations.

NOTE 9: INTERNATIONAL OPERATIONS

Sales for domestic and international operations during the past three years were as follows:

Year ended December 31	1996	1995	1994
Domestic	$159,977	$136,168	$110,839
International:			

Americas	71,690	53,296	42,215
Asia Pacific	12,497	11,953	4,115
Other	4,882	4,149	3,732
Total International	89,069	69,398	50,062
Total Sales	$249,046	$205,566	$160,901

Operating income for domestic and international operations during the past three years was as follows:

Year ended December 31	1996	1995	1994
Domestic	$18,682	$13,357	$ 9,706
International:			
Americas	8,191	5,994	4,578
Asia Pacific	(424)	(2,326)	(473)
Other	40	471	397
Total International	7,807	4,139	4,502
Total Operating Income	$26,489	$17,496	$14,208

Total assets for domestic and international operations for the past three years were as follows:

As of December 31	1996	1995	1994
Domestic	$58,674	$40,996	$34,973
International:			
Americas	28,764	18,941	12,970
Asia Pacific	3,767	4,239	3,487
Other	791	1,071	1,028
Total International	33,322	24,251	17,485
Total Assets	$91,996	$65,247	$52,458

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities and equipment used in its operations. The approximate aggregate commitments under non-cancelable operating leases in effect at December 31, 1996, were as follows:

Year ending December 31	Lease Commitments
1997	$1,737
1998	622
1999	423
2000	309
2001 and thereafter	395
	$3,486

The Company incurred expenses of approximately $2,512, $2,725 and $2,434 in connection with operating leases during 1996, 1995 and 1994, respectively.

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 will not have a material effect upon the Company's results of operations or financial position.

SUMMARY OF QUARTERLY OPERATIONS -- UNAUDITED
DOLLAR AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE INFORMATION

<TABLE>

	Sales	Cost of	Volume	Selling, General & Administrative	Operating	Other Income	Income Before	Net	Net Income

1996	Revenue	Goods Sold	Incentives	Expenses	Income	(Expense)	Taxes	Income	Per Share*
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
First Qtr	$ 60,113	$10,384	$ 27,896	$16,753	$ 5,080	$ 500	$ 5,580	$ 3,276	$.17
Second Qtr	63,182	11,565	28,750	15,542	7,325	(73)	7,252	4,342	.22
Third Qtr	63,031	11,201	28,976	16,009	6,845	319	7,164	4,538	.23
Fourth Qtr	62,720	11,736	28,797	14,948	7,239	634	7,873	4,692	.24
	$249,046	$44,886	$114,419	$63,252	$26,489	$1,380	$27,869	$16,848	$.86
1995									
First Qtr	$ 47,062	$ 9,229	$ 21,794	$13,052	$ 2,987	$ 453	$ 3,440	$ 2,014	$.11
Second Qtr	50,725	9,523	23,104	13,446	4,652	380	5,032	2,972	.16
Third Qtr	53,164	9,817	24,222	13,860	5,265	451	5,716	3,306	.17
Fourth Qtr	54,615	9,964	25,196	14,863	4,592	1,409	6,001	3,586	.19
	$205,566	$38,533	$ 94,316	$55,221	$17,496	$2,693	$20,189	$11,878	$.63

*The common share information has been adjusted to reflect the 3-for-2 stock split declared in February 1996.
</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information called for by Item 10 is omitted because the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of the fiscal year ended December 31, 1996, a definitive Proxy Statement pursuant to Regulation 14A of the Commission.

ITEM 11. EXECUTIVE COMPENSATION

Information called for by Item 11 is omitted because the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of the fiscal year ended December 31, 1996, a definitive Proxy Statement pursuant to Regulation 14A of the Commission.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information called for by Item 12 is omitted because the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of the fiscal year ended December 31, 1996, a definitive Proxy Statement pursuant to Regulation 14A of the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information called for by Item 13 is omitted because the Company intends to file with the Securities and Exchange Commission, not later than 120 days after the close of the fiscal year ended December 31, 1996, a definitive Proxy Statement pursuant to Regulation 14A of the Commission.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) LIST OF FINANCIAL STATEMENTS

The following are filed as part of this Report:

Report of Independent Public Accountants

Consolidated statements of income for the years ended December 31, 1996, 1995 and 1994.

Consolidated balance sheets as of December 31, 1996 and 1995.

Consolidated statements of shareholders' equity for the years ended December 31, 1996, 1995 and 1994

Consolidated statements of cash flows for the years ended December 31, 1996, 1995 and 1994.

Significant Accounting Policies

Notes to Consolidated Financial Statements

Summary of Quarterly Operations - Unaudited

(a)(2) LIST OF FINANCIAL STATEMENT SCHEDULES

Report of Independent Public Accountants on Consolidated Financial Statement Schedule.

Schedule II - Valuation and Qualifying Accounts.

Financial statement schedules other than those listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto, or contained in this Report.

(a)(3) LIST OF EXHIBITS

3.1(1) - Restated Articles of Incorporation

3.2(2) - By-laws, as amended

10.1(3) - Lease Agreement dated January 8, 1992 between the Registrant and East Bay Associates Partnership No. 3

10.2(4) - Form of Employment Agreement between the Registrant and its executive officers together with a schedule identifying the agreements omitted and setting forth the material differences between the filed agreement and the omitted agreements

10.3(5) - 1990 Long-Term Incentive Compensation Plan

10.4(5) - Form of Stock Option Agreement (1990 Long-Term Incentive Compensation Plan)

10.5(6) - Executive Loan Program

10.6(6) - Exempt Employee Incentive Compensation Plan

10.7(7) - 1993 Stock Option Plan

10.8(7) - Forms of Stock Option Agreements for employees and non-employee directors (1993 Stock Option Plan)

10.9(8) - 1995 Stock Option Plan

10.10(8) - Form of Stock Option Agreement (1995 Stock Option Plan)

10.11(8) - Key Employees' Automobile Incentive Program

22 - List of Subsidiaries of Registrant

24 - Consent of Independent Public Accountants

27 - Financial Data Schedule

- ------------------

(1) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1988 and is incorporated herein by reference.

(2) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1985 and is incorporated herein by reference.

(3) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1991 and is incorporated herein by reference.

(4) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1994 and is incorporated herein by reference.

(5) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1990 and is incorporated herein by reference.

(6) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1992 and is incorporated herein by reference.

(7) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1993 and is incorporated herein by reference.

(8) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1995 and is incorporated herein by reference.

(b) REPORTS ON FORM 8-K

The Registrant did not file any reports on Form 8-K during the last quarter of the year ended December 31, 1996.

(c) EXHIBITS

Exhibits required to be filed in respect to this paragraph of Item 14 are listed above in subparagraph (a)(3).

(d) FINANCIAL STATEMENT SCHEDULES

See subparagraph (a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

Date: March 18, 1997 By: /s/ Kristine F. Hughes

Kristine F. Hughes, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>

Signature	Title	Date
<S>	<C>	<C>

/s/ Kristine F. Hughes Kristine F. Hughes	President, Chief Executive Officer, Chairman of the Board and Director	March 18, 1997
/s/ Douglas Faggioli Douglas Faggioli	Vice President of Finance, Treasurer, Chief Financial Officer	March 18, 1997
/s/ Eugene L. Hughes Eugene L. Hughes	Vice President and Director	March 18, 1997
/s/ Merrill Gappmayer Merrill Gappmayer	Director	March 18, 1997
/s/ Pauline T. Hughes Pauline T. Hughes	Director	March 18, 1997
/s/ Robert H. Daines Robert H. Daines	Director	March 18, 1997

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

To Nature's Sunshine Products, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Nature's Sunshine Products, Inc., and subsidiaries appearing in Item 8 in this Annual Report on Form 10-K, and have issued our report thereon dated February 4, 1997. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14(a)(2) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

San Francisco, California
February 4, 1997

NATURE'S SUNSHINE PRODUCTS, INC.
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 1996
(DOLLARS AMOUNTS IN THOUSANDS)

<TABLE>

Description	Balance at Beginning of Period	Provisions	Amounts Written Off	Amounts Recovered	Balance at End of Period

<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1994					
Allowance for doubtful accounts receivable	$260	$839	$(461)	$ (2)	$636
Allowance for obsolete inventory	281	---	(78)	(89)	114
Allowance for notes receivable	---	304	---	---	304
Year ended December 31, 1995					
Allowance for doubtful accounts receivable	$636	$182	$(462)	$(10)	$346
Allowance for obsolete inventory	114	322	---	---	436
Allowance for notes receivable	304	---	(290)	---	14
Year ended December 31, 1996					
Allowance for doubtful accounts receivable	$346	$162	$ (83)	$ (8)	$417
Allowance for obsolete inventory	436	203	(335)	---	304
Allowance for notes receivable	14	---	---	---	14

</TABLE>

33

LIST OF EXHIBITS

<TABLE>

ITEM NO.		EXHIBIT	LOCATED AT SEQUENTIALLY NUMBERED PAGE
<S>		<C>	<C>
3.1(1)	-	Restated Articles of Incorporation	---
3.2(2)	-	By-laws, as amended	---
10.1(3)	-	Lease Agreement dated January 8, 1992 between the Registrant and East Bay Associates Partnership No. 3	---
10.2(4)	-	Form of Employment Agreement between the Registrant and its executive officers together with a schedule identifying the agreements omitted and setting forth the material differences between the filed agreement and the omitted agreements.	---
10.3(5)	-	1990 Long-Term Incentive Compensation Plan	---
10.4(5)	-	Form of Stock Option Agreement (1990 Long-Term Incentive Compensation Plan)	---
10.5(6)	-	Executive Loan Program	---
10.6(6)	-	Exempt Employee Incentive Compensation Plan	---
10.7(7)	-	1993 Stock Option Plan	---
10.8(7)	-	Forms of Stock Option Agreements for employees and non-employee directors (1993 Stock Option Plan)	---
10.9(8)	-	1995 Stock Option Plan	---
10.10(8)	-	Form of Stock Option Agreement (1995 Stock Option Plan)	---
10.11(8)	-	Key Employees' Automobile Incentive Program	---
22	-	List of Subsidiaries of Registrant	36
24	-	Consent of Independent Public Accountants	37
27	-	Financial Data Schedule	38

</TABLE>

- ---------------------

(1) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1988 and is incorporated herein by reference.

(2) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1985 and is incorporated herein by reference.

(3) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1991 and is incorporated herein by reference.

(4) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1994 and is incorporated herein by reference.

(5) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1990 and is incorporated herein by reference.

(6) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1992 and is incorporated herein by reference.

(7) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1993 and is incorporated herein by reference.

(8) Previously filed with the Commission as an exhibit to the Annual Report on Form 10-K for the year ended December 31, 1995 and is incorporated herein by reference.

EXHIBIT 22

SUBSIDIARIES

Set forth below is a list of all active subsidiaries of the Registrant, the state or other jurisdiction of incorporation or organization of each, and the names under which such subsidiaries do business.

Name	Jurisdiction of Incorporation
Nature's Sunshine Products of Canada, Ltd.	Canada
Nature's Sunshine Products de Mexico, S.A. de C.V.	Mexico
Nature's Sunshine Products de Colombia, S.A.	Colombia
NSSP Malaysia Sdn. Bhd.	Malaysia
Nature's Sunshine Produtos Naturais Ltda.	Brazil
Nature's Sunshine K.K.	Japan
Nature's Sunshine Products de Venezuela	Venezuela
Nature's Sunshine Products de Centroamerica	Costa Rica
Nature's Sunshine Products de Panama, S.A.	Panama
NSP de Guatemala, S.A.	Guatemala
Nature's Sunshine Products de El Salvador, S.A. de C.V.	El Salvador
Nature's Sunshine Products del Peru, S.A.	Peru
Nature's Sunshine Products de Argentina	Argentina
Nature's Sunshine Products de Honduras, S.A.	Honduras
Nature's Sunshine Products de Nicaragua, S.A.	Nicaragua

Each subsidiary listed above is doing business under its corporate name.

EXHIBIT 24

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statements File Nos. 33-38621, 33-80582, 33-59497 and 333-08139.

ARTHUR ANDERSEN LLP

San Francisco, California
March 13, 1997

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